This announcement is for information purposes only and does not constitute an invitation or solicitation of an offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

*This announcement is not for distribution, directly or indirectly, in or into the United States. This announcement and the information contained herein does not constitute or form part of an offer to purchase, subscribe or sell securities in the United States. Securities may not be offered or sold in the United States unless registered pursuant to the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or pursuant to an applicable exemption from such registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus that will contain detailed information about the Company and management, as well as financial statements. The securities referred to herein have not been and will not be registered under the Securities Act and no public offering of securities will be made in the United States. The securities described in this announcement will be sold in accordance with all applicable laws and regulations. No money, securities or other consideration is being solicited by this announcement or the information contained herein and, if sent in response to this announcement or the information contained herein, will not be accepted.*

This announcement is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

*The communication of this announcement and any other document or materials relating to the issue of the securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. 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 who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the securities offered hereby are only available to, and any investment or investment activity to which this announcement 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 announcement or any of its contents.*

AGILE
雅居樂

AGILE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3383)

OVERSEAS REGULATORY ANNOUNCEMENT

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

Reference is made to the announcements of Agile Group Holdings Limited (the "**Company**") dated 18 November 2019 and 19 November 2019 in relation to the issuance of the Securities (the "**Announcements**"). Unless otherwise defined, capitalised terms used herein have the same meanings as ascribed to them in the Announcements.

Please refer to the offering memorandum dated 18 November 2019 in relation to the Securities Issue as attached to this announcement (the "**Offering Memorandum**"), which is available on the website of Singapore Exchange Securities Trading Limited.

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

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

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

By Order of the Board
Agile Group Holdings Limited
CHEUNG Lap Kei
Company Secretary

Hong Kong, 28 November 2019

As at the date of this announcement, the Board comprises twelve members, being Mr. Chen Zhuo Lin (Chairman and President), Mr. Chan Cheuk Yin** (Vice Chairperson), Madam Luk Sin Fong, Fion** (Vice Chairperson), Mr. Chan Cheuk Hung*, Mr. Huang Fengchao*, Mr. Chen Zhongqi*, Mr. Chan Cheuk Hei**, Mr. Chan Cheuk Nam**, Dr. Cheng Hon Kwan#, Mr. Kwong Che Keung, Gordon#, Mr. Hui Chiu Chung, Stephen# and Mr. Wong Shiu Hoi, Peter#.*

* *Executive Directors*
** *Non-executive Directors*
\# *Independent Non-executive Directors*

IMPORTANT NOTICE

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

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

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

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

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

The attached offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

Prohibition of sales to EEA retail investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 as amended (the "PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

The communication of the attached offering memorandum 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 who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the securities described in the attached offering memorandum are only available to, and any investment or investment activity to which the attached offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached offering memorandum or any of its contents.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the 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 memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners, or China Construction Bank (Asia) Corporation Limited, as trustee (the "Trustee"), calculation agent (the "Calculation Agent"), principal paying agent (the "Principal Paying Agent"), transfer agent (the "Transfer Agent") and registrar (the "Registrar"), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request.

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.

AGILE GROUP HOLDINGS LIMITED

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

US$200,000,000
Senior Perpetual Capital Securities

Issue Price: 100%

The US$200,000,000 in aggregate principal amount of senior perpetual capital securities (the "Securities") will be issued by Agile Group Holdings Limited (the "Company" or the "Issuer"). The Securities confer a right to receive distribution (each, a "Distribution") for the period from and including November 25, 2019 (the "Issue Date") at the applicable rate described below (the "Distribution Rate"). Subject to the provisions of the Securities relating to deferral of Distribution (see "*Terms and Conditions of the Securities — Distributions — Distribution Deferral*"), Distribution shall be payable semi-annually in arrear on May 25 and November 25 of each year (each, a "Distribution Payment Date"), with the first Distribution Payment Date falling on May 25, 2020 with respect to the period from, and including, the Issue Date to, and excluding, May 25, 2020.

Unless previously redeemed in accordance with the terms of the Securities, Distribution (i) from, and including, the Issue Date to, but excluding, May 25, 2025 shall accrue on the outstanding principal amount of the Securities at a rate of 7.75 per cent. per annum; (ii) from, and including, the First Reset Date and each Reset Date to, but excluding, the immediately following Reset Date shall accrue on the outstanding principal amount of the Securities at a rate per annum equal to the applicable Treasury Rate (as defined in "*Terms and Conditions of the Securities*") plus 6.083 per cent. plus 5.00 per cent. per annum.

The Issuer may, at its sole discretion, elect to defer, in whole or in part, a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by providing holders of the Securities ("Holders") with not more than 10 nor less than five Business Days' (as defined in "*Terms and Conditions of the Securities*") notice prior to the relevant scheduled Distribution Payment Date unless during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event (as defined in "*Terms and Conditions of the Securities*") has occurred. Any Distribution so deferred shall remain outstanding in full and constitute Arrears of Distribution (as defined in "*Terms and Conditions of the Securities*"). Each amount of Arrears of Distribution shall bear interest at the Distribution Rate as if it constituted the principal of the Securities and the amount of such interest ("Additional Distribution Amount") with respect to Arrears of Distribution shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution as described in "*Terms and Conditions of the Securities — Distributions — Distribution Deferral — Cumulative Deferral.*" The Issuer may further defer any Arrears of Distribution and Additional Distribution Amounts by complying with the foregoing notice requirements. The Issuer is not subject to any limits as to the number of times Distributions and Arrears of Distribution may be deferred. See "*Terms and Conditions of the Securities — Distributions — Distribution Deferral.*"

If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Issuer shall not (a) declare, pay or make any dividends, distributions or other payments on, and will procure that no dividend, distribution or other payment is declared, paid or made on any of its Junior Obligations (as defined in "*Terms and Conditions of the Securities*") or its Parity Obligations (as defined in "*Terms and Conditions of the Securities*") (except in relation to Parity Obligations, on a *pro-rata* basis); or (b) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), in each case, (A) save that such restrictions shall not apply to actions taken in respect to an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants and (B) unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.

The Securities constitute direct, unsecured and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with all other present and future, unsecured and unsubordinated obligations of the Issuer (including Parity Obligations).

The Securities are perpetual securities and have no fixed redemption date. The Issuer may redeem, in whole or in part, the Securities on the First Reset Date (as defined in "*Terms and Conditions of the Securities*") or any Business Day after the First Reset Date at their Redemption Amount (as defined in "*Terms and Conditions of the Securities*") on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant date for redemption). The Securities may be redeemed at the option of the Issuer in whole, but not in part only, inter alia, (a) at their Redemption Amount if the Issuer (i) has or will become obliged to pay material additional amounts as provided or referred to in Condition 7 *(Taxation)* as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in "*Terms and Conditions of the Securities*") or any political subdivision or any authority thereof which change or amendment becomes effective on or after November 18, 2019 and such obligation cannot be avoided by taking reasonable measures available to the Issuer or (ii) any change or amendment to the Relevant Accounting Standard (as defined in "*Terms and Conditions of the Securities*") such that the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard; or (b) at their Early Redemption Price (as defined in "*Terms and Conditions of the Securities*") upon the occurrence of a Change of Control Triggering Event. See "*Terms and Conditions of the Securities — Redemption and Purchase.*" If a Special Event (as defined in "*Terms and Conditions of the Securities*") has occurred and is continuing, the Issuer may, (without any requirement for the consent or approval of the Holders) and subject to the Issuer having notified the Trustee that the relevant provisions in "*Terms and Conditions of the Securities*" have been complied with, and having given not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, the Principal Paying Agent, at any time either: (a) substitute all, but not some only, of the Securities for, or (b) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities (as defined in "*Terms and Conditions of the Securities*"), and the Trustee shall (subject to the relevant provisions in "*Terms and Conditions of the Securities*") agree to such substitution or variation.

If a Special Event (as defined in "*Terms and Conditions of the Securities*") has occurred and is continuing, the Issuer may (without any requirement for the consent or approval of the Holders and subject to the Issuer having notified the Trustee that the relevant provisions in "*Terms and Conditions of the Securities*" have been complied with, and having given not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, the Principal Paying Agent), at any time either: (a) substitute all, but not some only, of the Securities for, or (b) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities (as defined in "*Terms and Conditions of the Securities*"), and the Trustee shall (subject to the relevant provisions in "*Terms and Conditions of the Securities*") agree to such substitution or variation.

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

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises *(*國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資(2015) 2044) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Securities with the NDRC and obtained a certificate from the NDRC dated July 23, 2019 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Securities to be reported to the NDRC within 10 PRC working days after the issue date of the Securities.

Investing in the Securities involves risks. See "*Risk Factors*" beginning on page 15

The Securities are expected to be rated Ba3 by Moody's Investors Service. The credit ratings accorded to the Securities are not a recommendation to purchase, hold or sell the Securities in as much as such ratings do not comment as to market price or suitability for a particular investor.

The Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act"). The Securities are being offered outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Securities and the distribution of this offering memorandum, see "*Subscription and Sale.*"

The Securities will be in registered form in the denomination of US$200,000 and integral multiples of US$1,000 in excess thereof. The Securities may be held in the principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof. The Securities will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depositary for Euroclear Bank, SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Individual certificates (the "Individual Certificates") evidencing holdings of Securities will only be available in certain limited circumstances. See "*Summary of Provisions Relating to the Securities in Global Form.*"

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

HSBC **Standard Chartered Bank** **The Bank of East Asia, Limited** **HeungKong Financial**

The date of this offering memorandum is November 18, 2019

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CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

Market data and certain industry forecast and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank, The Bank of East Asia, Limited and HeungKong Securities Limited (the "Joint Lead Managers") or their respective directors and advisors, and neither us, the Joint Lead Managers 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 memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Securities, including the merits and risks involved.

The statistics set forth in this offering memorandum relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. The Joint Lead Managers 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 memorandum, 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 memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.865 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 June 28, 2019, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.8103 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 June 28, 2019. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or *vice versa,* at any particular rate or at all. For further information relating to the exchange rates, see "*Exchange Rate Information.*"

References to "PRC" and "China," for the purposes of this offering memorandum only, 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.

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

This offering memorandum has been prepared by us solely for use in connection with the proposed placement of the Securities. We and the Joint Lead Managers reserve the right to withdraw the offering of the Securities at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Securities offered hereby.

This offering memorandum is personal to the prospective investor to whom it has been delivered by the Joint Lead Managers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Securities. Distribution of this offering memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. The prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this offering memorandum.

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

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with information that is different. This offering memorandum may only be used where it is legal to sell the Securities. The information in this document may only be accurate at the date of this offering memorandum. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

We confirm that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to us and the Securities which is material to the offering and sale of the Securities, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this offering memorandum which, by their absence here from, make this offering memorandum misleading in any material respect. We accept full responsibility for the accuracy of the information contained in this offering memorandum accordingly.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers 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 Securities (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 Securities) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Joint Lead Managers.

We are not, and the Joint Lead Managers are not, making an offer to sell the Securities in any jurisdiction except where an offer or sale is permitted. The Securities are subject to restrictions on transferability and resale. Purchasers of the Securities may not transfer or resell the Securities except as permitted under the Securities Act and applicable state securities laws. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Each purchaser of the Securities must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Securities or possesses or distributes this offering memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. Persons into whose possession this offering memorandum or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this offering memorandum and the offering and sale of the Securities. In particular, there are restrictions on the offer and sale of the Securities, and the circulation of documents relating thereto, in certain jurisdictions including the United States and the European Economic Area and to persons connected therewith. See "*Subscription and Sale.*"

The distribution of this offering memorandum and the offer and sale of the Securities may, in certain jurisdictions, be restricted by law. For a description of the restrictions on offers, sales and resales of the Securities and distribution of this offering memorandum, see the section headed "*Subscription and Sale*" below.

None of us, the Joint Lead Managers, the Trustee, the Registrar, the Principal Paying Agent, the Calculation Agent or the Transfer Agent (together with the Registrar, the Principal Paying Agent and the Calculation Agent, the "Agents"), or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Securities offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the Securities. None of the Joint Lead Managers, the Trustee or the Agents makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering memorandum and none of the Joint Lead Managers, the Trustee or the Agents, or any of their respective affiliates accept any responsibilities for any acts or omissions of the Issuer or any other persons in connection with the issue and offering of the Securities. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents accepts any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the Joint Lead Managers or on their behalf in connection with us or the issue and offering of the Securities. Each of the Joint Lead Managers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

This offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 as amended (the "PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

The communication of this offering memorandum and any other document or materials relating to the issue of the Securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. 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 who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Securities offered hereby are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

REFERENCES

References to the "Chen family" in this offering memorandum are to Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei, Chan Cheuk Nam, Lu Liqing, Lu Yanping, Chan Siu Na and Zheng Huiqiong.

References to "2012 Notes" are to our US$700 million aggregate principal amount of 9.875% Senior Notes due 2017. We redeemed all outstanding amount of the 2012 Notes on March 20, 2017.

References to "2013 Perpetual Securities" are to our subordinated perpetual capital securities in an aggregate principal amount of US$700 million which were fully redeemed on July 18, 2019.

References to "Property Management Asset-backed Securities" are to our asset-backed securities in the principal amount of RMB1,100,000,000 established on February 26, 2016. We redeemed all outstanding asset-backed securities on September 26, 2017.

References to "2014 USD Notes" are to our US$500 million aggregate principal amount of 8.375% Senior Notes due 2019. We redeemed all outstanding amount of the 2014 USD Notes on September 14, 2017.

References to "2014 RMB Notes" are to our RMB2,000 million aggregate principal amount of 6.50% Senior Notes due 2017. We redeemed all outstanding amount of the 2014 RMB Notes on February 28, 2017.

References to "Panyu Asset-backed Securities" are to our asset-backed securities in the principal amount of RMB1,111.5 million established on September 1, 2017.

References to “2015 Notes” are to our US$500 million aggregate principal amount of 9.0% Senior Notes due 2020.

References to “2017 Notes” are to our US$200 million aggregate principal amount of 5.125% Senior Notes due 2022.

References to “2017 SCB Facility” are to our HK$624 million term loan facility with various lenders and Standard Chartered Bank (Hong Kong) Limited as the facility agent which we entered into on June 2, 2017.

References to “2017 SCB Syndicated Loan” are to our dual tranche transferable term loan facilities denominated in both H.K. dollars and U.S. dollars in the amount of HK$3,519 million and US$0 with various lenders and Standard Chartered Bank (Hong Kong) Limited as the facility agent which we entered into on July 17, 2017.

References to “2017 HSBC Loan” are to our HK$1,170 million term loan facility with The Hongkong and Shanghai Banking Corporation Limited as facility agent and as security agent which we entered into on November 14, 2017.

References to “2017 ICBC Loan” are to our HK$300 million term loan facility with Industrial and Commercial Bank of China (Asia) Limited as lender which we entered into on November 24, 2017.

References to “2017 CCB Loan” are to our HK$400 million term loan facility with China Construction Bank Corporation, Hong Kong Branch as facility agent and as security agent which we entered into on December 19, 2017.

References to “2018 Perpetual Securities” are to our US$500 million aggregate principal amount of senior perpetual capital securities.

References to “2018 Syndicated Loan” are to our HK$8,834 million (with a greenshoe option of HK$2,500 million) and US$200 million term loan facility which we entered into on May 21, 2018.

References to “2018 HSBC Loan” are to our HK$770 million term loan facility with The Hongkong and Shanghai Banking Corporation Limited as facility agent and security agent which we entered into on December 12, 2018.

References to “June 2018 Perpetual Securities” are to our US$100 million aggregate principal amount of senior perpetual capital securities.

References to “July 2018 Notes” are to our US$600 million aggregate principal amount of 8.5% Senior Notes due 2021.

Reference to “November 2018 Notes” are to our US$400 million aggregate principal amount of 9.5% Senior Notes due 2020.

Reference to “March 2019 Notes” are to our US$500 million aggregate principal amount of 6.7% Senior Notes due 2022.

Reference to “June 2019 Perpetual Securities” are to our US$700 million aggregate principal amount of senior perpetual capital securities.

Reference to “October 2019 Perpetual Securities” are to our US$500 million aggregate principal amount of senior perpetual capital securities.

References to the “Guangzhou Asian Games City Project” are to the development of certain parcels of land located in the Panyu District of Guangzhou City that we, together with certain other property developers in the PRC, acquired pursuant to a land grant contract with the PRC government dated December 22, 2009, as amended and supplemented. The development of this project is implemented through a project company (the “Asian Games JV”), in which we hold a minority equity interest. We have included this project in the total number of our property projects as of June 30, 2019, and also have taken into account this project when calculating the site area or GFA data included in this offering memorandum, unless otherwise specified.

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 memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

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

Totals presented in this offering memorandum may not equal the apparent total of individual items because of rounding of numbers.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes "**forward-looking statements.**" All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "**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 Guangdong Province and other areas of the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government's, particularly the Guangdong provincial 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 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 memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this offering memorandum. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which differ in certain respects from generally accepted accounting principles ("GAAP") in certain other countries.

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

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

Our definition of EBITDA should not be considered in isolation or construed as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of EBITDA does not account for taxes and other non- operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures*" for more information.

GLOSSARY OF TECHNICAL TERMS

"certificate of completion"	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 an equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection.
"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.
"construction land planning permit"	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.
"construction permit"	a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China.
"construction works planning permit"	a construction works planning permit (建築工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China.
"GFA"	gross floor area.
"Hong Kong Stock Exchange" . . .	the Stock Exchange of Hong Kong Limited.
"land grant confirmation agreement"	(國有土地使用權成交確認書) 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 grant contract"	(國有土地使用權出讓合同) 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 or transfer document"	a land grant contract, land grant confirmation agreement or land use rights transfer agreement.
"land use rights certificate"	a state-owned land use rights certificate (國有土地使用證) or real property ownership certificate (不動產權證) issued by a local real estate and land resources bureau with respect to the land use rights.
"land use rights transfer agreement"	(國有土地使用權轉讓合同) an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
"LAT"	land appreciation tax (土地增值稅).
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
"low-density units"	the low-density units that we develop include stand-alone houses, semi-detached houses and townhouses.
"pre-sale"	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.

"pre-sale permit"	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.
"property ownership certificate" .	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.
"sq.ft."	square feet.
"sq.m."	square meter.

SUMMARY

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

OVERVIEW

We are a leading property developer in China. We focus primarily on the development of large-scale mixed-use property projects, with extensive presence in the businesses of property management, environmental protection, construction, real estate construction management and commercial. We believe our brand is well-recognized. We have received numerous awards and recognition, including most recently, "2018 Ranking of China's 100 Best Real Estate Enterprises" and "2018 Top 30 Listed China's Real Estate Enterprises" by Guandian Real Estate New Media, "China Property Award of Supreme Excellence 2018" by Organizing Committee of China Property Award of Supreme Excellence, "Global Brand Awards — Best Property Development Brand (China)" by Global Brands magazine and "Corporate Social Responsibility Award 2018" by Capital magazine.

We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management and hotel operation services.

Our management team includes members with over 25 years of experience in the PRC real estate industry and has contributed to the growth of our business substantially since we first commenced property development activities in Guangdong Province in 1992. As of June 30, 2019, we had 160 projects within our land bank, 60 of which were located in Southern China region with a total GFA of approximately 10.6 million sq.m.; 46 in Eastern China region with a total GFA of approximately 6.8 million sq.m.; 11 in Western China region with a total GFA of approximately 3.1 million sq.m.; 18 in Central China region with a total GFA of approximately 3.3 million sq.m.; five in Hainan Province with a total GFA of approximately 5.0 million sq.m.; four in Yunnan Province with a total GFA of approximately 4.7 million sq.m.; two in Northeast China region with a total GFA of approximately 0.7 million sq.m.; 11 in Northern China region with a total GFA of approximately 1.6 million sq.m.; one in Hong Kong with a total GFA of approximately 0.002 million sq.m. and two in Kuala Lumpur of Malaysia with a total GFA of approximately 0.4 million sq.m. These 160 projects have an aggregate site area of approximately 51.4 million sq.m., and an aggregate GFA of approximately 36.2 million sq.m., which includes an aggregate GFA of approximately 1.2 million sq.m. of completed properties, an aggregate GFA of approximately 16.0 million sq.m. of properties under development and an aggregate GFA of approximately 19.1 million sq.m. of properties held for future development. We have obtained land use rights certificates for each of these 160 projects. As of June 30, 2019, we had also entered into contracts to acquire additional parcels of land with a total site area of 1.5 million sq.m. and an aggregate GFA of projects of 3.1 million sq.m. We were in the process of applying for the land use rights certificates or the land titles with respect to such land.

For 2016, 2017 and 2018 and the first half of 2019, the total GFA sold was approximately 5.1 million sq.m., 4.7 million sq.m., 4.7 million sq.m. and 1.9 million sq.m., respectively. For 2016, 2017 and 2018 and the first half of 2019, we recorded sales revenue from property development of RMB44,751.8 million, RMB49,261.8 million, RMB52,487.7 million (US$7,645.7 million) and RMB24,685.1 million (US$3,595.8 million), respectively, and the net profit attributable to our equity holders was approximately RMB2,283.6 million, RMB6,025.2 million, RMB7,125.0 million (US$1,037.9 million) and RMB5,076.7 million (US$739.5 million), respectively.

Since 2006, we have begun to expand our property development business to strategically selected cities outside the Southern China Region to other parts of China and overseas. We intend to continue the expansion of our presence in markets outside the Southern China region while maintaining our core focus in Southern China. We initiated our tourism property business in the Hainan and Yunnan region in 2007 and 2012, respectively, in order to leverage the thriving tourism industry in these provinces to attract purchasers of vacation homes. In 2014, we further expanded our business outside of China with our first overseas project in Malaysia. In 2017, we acquired a project in Hong Kong. On a selective basis, we also engage in other complementary businesses, such as property management, the development and management of hotels, investment properties, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property projects. On February 9, 2018, A-Living Services Co., Ltd. ("A-Living"), which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company, which we believe allows us to capitalize on our brand and further diversify the platforms through which we offer value-added services. As of June 30, 2019, the total GFA under management was 211.2 million sq.m. As of June 30, 2019, we have eight hotels, three major shopping malls and one office building in operation. For the six months ended June 30, 2019, revenue from our hotel operations was RMB352.9 million (US$51.4 million) and revenue from our property investment was RMB97.8 million (US$14.2 million).

In recent years, we have entered into the environmental protection business to further diversify our sources of income and organically add value to our property development and management projects. Our environmental protection business primarily involves hazardous waste treatment, water treatment and common solid waste treatment. See "*Business — Environmental Protection*." We also launched our real estate construction management business and completed the integration and restructuring of the construction business in 2018. See "*Business — Construction*" and "*Business — Real Estate Construction Management*."

We are a constituent stock of the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Stock Connect Hong Kong Index Series, the Hang Seng High Dividend Yield Index, the Hang Seng Mainland China Companies High Dividend Yield Index, the Hang Seng Mainland Properties Index, the Hang Seng High Beta Index, the Hang Seng China (Hong Kong-listed) 100 Index, the MSCI China Index and the Lippo Select HK & Mainland Property Index.

The following table sets forth the geographical distribution of our 160 projects in terms of GFA completed, GFA under development and GFA held for future development within the land bank as of June 30, 2019:

	GFA Completed		GFA under Development		GFA Held for Future Development		Total	
	sq.m.	%	sq.m.	%	sq.m.	%	sq.m.	%
Southern China Region	480,556	41.3	3,809,490	23.8	6,343,780	33.3	10,633,826	29.4
Eastern China Region	200,520	17.2	2,968,506	18.6	3,645,898	19.1	6,814,925	18.8
Western China Region	13,322	1.2	1,577,438	9.9	1,468,699	7.7	3,059,459	8.4
Central China Region	47,404	4.1	1,973,460	12.3	1,236,138	6.5	3,257,002	9.0
Hainan Region	332,028	28.5	2,908,935	18.2	1,724,557	9.1	4,965,520	13.7
Yunnan Region	89,263	7.7	959,609	6.0	3,697,832	19.4	4,746,704	13.1
Northeast China Region	200	0.0	698,730	4.4	46,844	0.2	745,774	2.1
Northern China Region	—	—	728,661	4.6	893,716	4.7	1,622,377	4.5
Hong Kong	—	—	—	—	1,887	0.0	1,887	0.0
Overseas	—	—	358,334	2.2	—	—	358,334	1.0
	1,163,294	100.0	15,983,162	100.0	19,059,351	100.0	36,205,808	100.0

Recent Developments

Issuance of the October 2019 Perpetual Securities

On October 31, 2019, we issued the October 2019 Perpetual Securities in an aggregate principal amount of US$500 million. See "*Description of Other Material Indebtedness — October 2019 Perpetual Securities*."

Repurchase and Resale of Non-public Domestic Corporate Bonds

On October 11, 2019, we completed the repurchase of non-public domestic corporate bonds in an aggregate principal amount of RMB570,000,000 (US$83.0 million) which we issued on September 29, 2016 at an initial coupon rate of 4.60% per annum due 2021. We resold all such non-public domestic corporate bonds that we repurchased after the completion of the repurchase.

Acquisition of Equity Interest in CMIG PM and NEW CMIG PM

On September 25, 2019, Tianjin Yachao Enterprise Management Consulting Co., Ltd. 天津雅潮企業管理諮詢有限公司 ("Tianjin Yachao"), an indirect wholly-owned subsidiary of A-Living, as the purchaser, entered into an agreement (the "CMIG PM Agreement") with Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership) 廣東豐信盈隆股權投資合夥企業(有限合夥) ("Guangdong Fengxin Yinglong"), as the vendor. Pursuant to the CMIG PM Agreement, Tianjin Yachao had conditionally agreed to acquire, and Guangdong Fengxin Yinglong had conditionally agreed to dispose of (i) the 60% equity interest in CMIG Futurelife Property Management Limited (中民未來物業服務有限公司) ("CMIG PM") held by Guangdong Fengxin Yinglong at the consideration of RMB1,560,000,000; and (ii) the 60% equity interest in a new company (the "New CMIG PM") to be established Guangdong Fengxin Yinglong and CMIG Futurelife Holdings Group Company Limited (中民未來控股集團有限公司) at the variable consideration subject to the maximum amount of RMB500,000,000.

Change of Company Secretary and Authorized Representative

Mr. Lam Ping Yuk resigned as our company secretary, authorized representative under the Listing Rules and authorized representative for the purpose of accepting service of process and notices in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from September 1, 2019.

Mr. Cheung Lap Kei was appointed as the company secretary, authorized representative under the Listing Rules and authorized representative for the purpose of accepting service of process and notices in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from September 1, 2019. For details, see "*Management.*"

August 2019 Facility

On August 28, 2019, we and certain of our subsidiaries entered into a facility agreement (the "August 2019 Facility") with certain financial institutions. Pursuant to such facility agreement, a term loan facility comprising of two tranches of HKD1,170 million and USD100 million (with a greenshoe option of USD500 million or HKD equivalent) with a term of 36 months has been granted to the Company at the rate of interest equivalent to the aggregate of a margin rate of 3.25% per annum plus the Hong Kong interbank offered rate for Hong Kong Dollars on the relevant date, in respect of the loan in HKD, or the London interbank offered rate administered by ICE Benchmark Administration Limited on the relevant date, in respect of the loan in USD.

Repurchase and Resale of Non-public Domestic Corporate Bonds

On July 12, 2019, we completed the repurchase of non-public domestic corporate bonds in an aggregate principal amount of RMB351.0 million (US$51.1 million) which we issued on July 12, 2017 at a coupon rate of 6.98% per annum due 2020. We resold all such non-public domestic corporate bonds that we repurchased after the completion of the repurchase.

Redemption of the 2013 Perpetual Securities

On June 10, 2019, we informed Citicorp International Limited, as trustee, and holders of the 2013 Perpetual Securities, that all outstanding 2013 Perpetual Securities will be redeemed in full on the next distribution payment date of July 18, 2019, at the redemption amount being the outstanding principal amount of the 2013 Perpetual Securities plus accrued distributions for the period from (and including) January 18, 2019 to (but excluding) July 18, 2019. On July 18, 2019, we redeemed an aggregate principal amount of US$700,000,000 of all of the outstanding 2013 Perpetual Securities at the redemption price equal to the principal amount thereof, plus accrued distributions for the period from (and including) January 18, 2019 to (but excluding) the July 18, 2019. The total redemption price paid by us on July 18, 2019 amounted to US$735,756,000. We applied to the Hong Kong Stock Exchange for the withdrawal of listing of the 2013 Perpetual Securities. Such withdrawal of listing became effective on July 26, 2019.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

- market leadership with a well-established track record;
- diversified, sizeable and low-cost land bank;
- strong brand name recognition and a wide spectrum of high-quality products;
- stable income from other segments;
- experience in large-scale multi-phase developments; and
- strong corporate governance and experienced management.

BUSINESS STRATEGIES

We plan to further diversify our "1+N" business model, which is to strengthen our position in the property development business and accelerate the development of other businesses. We also aim to improve our execution, operational efficiency and overall management quality. We intend to achieve our overall business objectives by pursuing the following strategies:

- Optimize land bank with an active but prudent land acquisition strategy;
- Enhance overall management to maximize profits;
- Further expand A-Living with diversified value-added services;
- Increase our competitive edge in other businesses, including, A-Living, environmental protection, construction, real estate construction management and commercial; and
- Strengthen our brand recognition nationwide and overseas.

GENERAL INFORMATION

The Company is incorporated in the Cayman Islands on July 14, 2005 as an exempted company with limited liability, with registered number 151949. Its principal place of office in the PRC is at 33rd Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC, Postal Code: 510623. Our principal place of business in Hong Kong is at 18/F., Three Pacific Place, 1 Queen's Road East, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more detailed description of the terms of the Securities, see "Terms and Conditions of the Securities." Capitalized terms used herein and not defined have the meanings given to them in the "Terms and Conditions of the Securities" set out in this offering memorandum.

Issuer:	Agile Group Holdings Limited, a company incorporated with limited liability under the laws of the Cayman Islands.
Issue:	US$200,000,000 in aggregate principal amount of Senior Perpetual Capital Securities.
Initial Distribution Rate:	7.75 per cent. per annum
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers:	The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank, The Bank of East Asia, Limited and HeungKong Securities Limited.
Trustee:	China Construction Bank (Asia) Corporation Limited.
Principal Paying Agent, Calculation Agent, Transfer Agent and Registrar:	China Construction Bank (Asia) Corporation Limited.
Issue Price:	100% of the principal amount of the Securities.
Issue Date:	November 25, 2019.
Status of the Securities:	The Securities constitute direct, unsecured and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and *pari passu* with all other present and future, unsecured and unsubordinated obligations of the Issuer (including Parity Obligations).
Set-off:	Subject to applicable law, neither the Trustee nor any Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and the Trustee has in the Trust Deed waived, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived, all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to the Trustee or any Holder by the Issuer in respect of, or arising under or in connection with, the Securities is discharged by set-off, the Trustee or such Holder (as the case may be) shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator of the Issuer) and, until such time as payment is made, shall hold such amount for the Issuer (or the liquidator) and accordingly any such discharge shall be deemed not to have taken place.
Form and Denomination:	The Securities will be issued in registered form in the denomination of US$200,000 and integral multiples of US$1,000 in excess thereof.

Clearing Systems: . . . . The Securities will initially be represented by beneficial interests in the Global Certificate, in registered form, deposited on or before the Issue Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders.

So long as the Securities are represented by the Global Certificate and Euroclear and Clearstream so permit, the Securities will be tradable only in principal amounts of at least US$200,000 and integral multiples of US$1,000 in excess thereof. Except as described herein, individual certificates of Securities will not be issued in exchange for beneficial interests in the Global Certificate. See "*Summary of Provisions Relating to the Securities in Global Form.*"

Distributions: . . . . Subject to Condition 5(d) (*Distributions — Distribution Deferral*), the Securities confer a right to receive distributions (each a "Distribution") from, and including the Issue Date at the applicable Distribution Rate.

Distribution shall be payable on the Securities semi-annually in arrear on May 25 and November 25 in each year (each, a "Distribution Payment Date"), with the first Distribution Payment Date falling on May 25, 2020 with respect to the period from, and including, the Issue Date to, and excluding, May 25, 2020.

Distribution Rate: . . . . The rate of distribution applicable to the Securities shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, May 25, 2025 (the "First Reset Date"), 7.75 per cent. per annum; and

(ii) thereafter, in respect of the period from, and including, the First Reset Date and each Reset Date falling thereafter, to, but excluding, the immediately following Reset Date (each a "Reset Period"), the Reset Distribution Rate,

provided, in each case, that in the event of the occurrence of a Change of Control (as defined in "*Terms and Conditions of the Securities — Redemption*"), if the Issuer does not elect to redeem the Securities within 30 days of a Change of Control Triggering Event in accordance with the provisions described under Condition 6(e) (*Redemption and Purchase — Redemption in the case of a Change of Control Triggering Event*) then the then prevailing Distribution Rate applicable to the Securities shall be increased by 5.00 per cent. per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date which is two Business Days (as defined in "*Terms and Conditions of the Securities — Definitions*") prior to the next Distribution Payment Date, the next following Distribution Payment Date).

Optional Deferral of Distributions: . . . .

The Issuer may, at its sole discretion, elect to defer, in whole or in part, Distribution which is otherwise scheduled to be paid on a Distribution Payment Date (such date, an "Optional Distribution Payment Date") to the next Distribution Payment Date by giving notice (an "Optional Deferral Notice") to the Holders (in accordance with Condition 16 (*Notices*)) not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date (an "Optional Deferral Event") unless, during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred.

Compulsory Distribution Payment Event: . . . .

A "Compulsory Distribution Payment Event" occurs if either or both of the following criteria are met:

(i) a discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any Junior Obligations or (except on a *pro-rata basis*) Parity Obligations (other than a payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or

(ii) the Issuer, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations (except for (x) an exchange by the Issuer of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a pro-rata basis, or (y) for a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants).

Restrictions in the case of an Optional Deferral: . . . .

If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Issuer shall not:

(i) declare, pay or make any discretionary dividends, discretionary distributions or other discretionary payments on, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(ii) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.

Arrears of Distributions:	Any Distribution deferred pursuant to Condition 5(d) (*Distributions — Distribution Deferral*) shall constitute "Arrears of Distribution." Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Securities at the prevailing Distribution Rate. The Issuer may further defer any Arrears of Distribution by complying with the notice requirements applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can be deferred pursuant to Condition 5(d) (*Distributions — Distribution Deferral*) except that Condition 5(d)(iv) (*Distributions — Distribution Deferral — Cumulative Deferral*) shall be complied with until all outstanding Arrears of Distribution have been paid in full. The Issuer may at its option satisfy any Arrears of Distribution (in whole or in part) and any Additional Distribution Amounts at any time by giving notice of such election to the Holders (in accordance with Condition 16 (*Notices*)), the Trustee and the Principal Paying Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and any Additional Distribution Amounts on the payment date specified in such notice). Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amounts by the Issuer shall be paid to the Holder of all outstanding Securities on a *pro-rata* basis. The Issuer shall in any event satisfy any outstanding Arrears of Distribution relating to Optional Deferral (in whole but not in part and including any Additional Distribution Amount) on the earliest to occur of: (i) the next Distribution Payment Date falling immediately after a breach of Condition 5(d)(v) (*Distributions — Distribution Deferral — Restrictions in the case of an Optional Deferral*); (ii) the date on which the Securities are redeemed at the option of the Issuer upon an Optional Redemption; (iii) the date on which the Securities are redeemed at the option of the Issuer upon a Change of Control; (iv) the date on which the Securities are redeemed at the option of the Issuer in accordance with Condition 6(f) (*Redemption and Purchase — Redemption in the case of minimal outstanding amount*)); (v) the date of any substitution or variation in accordance with Condition 14 (*Substitution or Variation*); or (vi) the Winding-Up of the Issuer.
Maturity Date:	There is no maturity date.

Redemption at the Option of the Issuer:	The Securities may be redeemed at the Issuer's option, in whole or in part, on the First Reset Date or any Business Day after the First Reset Date (each, a "Call Settlement Date") on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant Call Settlement Date), the Trustee and the Principal Paying Agent at the Redemption Amount.
Redemption for Tax Reasons: . .	The Securities may be redeemed at the Issuer's option in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee and the Principal Paying Agent at the Redemption Amount, if, immediately before giving such notice, the Issuer notifies the Trustee that: (i) the Issuer has or will become obliged to pay material Additional Amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after November 18, 2019; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided, however, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due.
Redemption upon an Accounting Event:	The Securities may be redeemed at the Issuer's option in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee and the Principal Paying Agent at the Redemption Amount, if, immediately before giving such notice, the Issuer notifies the Trustee that as a result of any changes or amendments to HKFRS or any other accounting standards that may replace HKFRS for the purposes of the Issuer's consolidated financial statements (the "Relevant Accounting Standard"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.
Redemption in the case of minimal outstanding amount: .	The Securities may be redeemed, in whole but not in part only, at the Issuer's option upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee and the Principal Paying Agent at the Redemption Amount, if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 20 per cent. of the aggregate principal amount originally issued (including any further securities issued in accordance with Condition 15 (*Further Issues*)).
Redemption in the case of a Change of Control Triggering Event:	The Securities may be redeemed, in whole but not in part, at the Issuer's option, upon giving not less than 15 nor more than 30 days' notice (which notice shall be irrevocable), the Trustee and the Principal Paying Agent to the holders of the Securities at their Early Redemption Price in the event that a Change of Control Triggering Event occurs.

Limited Rights to Institute Proceedings:	The right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 5(d) (*Distributions — Distribution Deferral*).
Proceedings for Winding-Up:. . .	Upon (i) an order being made or an effective resolution being passed for the Issuer's Winding-Up or (ii) the Issuer failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 9(d) (*Non-payment — Entitlement of Trustee*), institute proceedings for the Issuer's Winding- Up and/or prove and/or claim in the Issuer's Winding-Up for the principal amount of the Securities together with any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities accrued to the day prior to the commencement of the Winding-Up.
Substitution or Variation:	If a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 5 (*Distributions*) (without any requirement for the consent or approval of the Holders) and subject to the Issuer having notified the Trustee immediately prior to the giving of any notice referred to herein that the provisions of Condition 14 (*Substitution or Variation*) have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16 (*Notices*), the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and, notwithstanding any provision contrary in the Trust Deed, the Trustee shall (subject to the provisions of Condition 14 (*Substitution or Variation*) and subject to the receipt by it of a certificate of the Issuer's duly authorized officers) agree to such substitution or variation without any need for the consent or sanction of the Holders of the Securities.
Listing:.	Application has been made to the SGX-ST for the listing and quotation of the Securities on the SGX-ST. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for definitive Certificates, we will appoint and maintain a paying agent in Singapore, where the definitive certificates may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for definitive Certificates, 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 Certificates, including details of the paying agent in Singapore.
Use of Proceeds:	See "*Use of Proceeds.*"

Selling Restrictions:	The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Securities may be sold in other jurisdictions (including the United Kingdom, Hong Kong, Singapore, Japan and Taiwan) only in compliance with applicable laws and regulations. See "*Subscription and Sale*."
Governing Law:	The Securities, the Trust Deed and the Agency Agreement, and any non-contractual obligations arising out of or in connection with them, will be governed by, and shall be construed in accordance with, English law.
Risk Factors:	An investment in the Securities involves risk. See "*Risk Factors*."
Clearance and Settlement:	The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2081524675 Common Code: 208152467

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 amounts presented in U.S. dollars), are derived from our audited consolidated financial statements for the years ended and as of December 31, 2017 and 2018. The summary financial data as of and for the six months ended June 30, 2018 and 2019 (except for EBITDA data and amounts presented in U.S. dollars) are derived from our unaudited condensed consolidated interim financial information for the six months ended and as of June 30, 2019. Consequently such unaudited condensed consolidated interim financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit and should not be taken as an indication of the expected financial condition, results of operations and results of the Issuer for the full financial year ended December 31, 2019. Our condensed consolidated interim financial information as of and for the six months ended June 30, 2019 reproduced in this offering memorandum have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, as stated in our interim report for the six months ended June 30, 2019. The summary financial data below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the audited consolidated financial statements, the unaudited condensed interim financial information and the notes to those statements and information included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

With effect from January 1, 2018, we adopted HKFRS 9 and HKFRS 15 under which we are required to reclassify and adjust certain of our financial line items in our financial statements. Please refer to Note 2.2 of our audited consolidated financial statements for the year ended December 31, 2018 for a discussion on the effects of the adoption of HKFRS 9 and HKFRS 15. As we applied the transitional provisions set out in HKFRS 9 and the modified retrospective approach set out in HKFRS 15, each without requiring any restatement of the corresponding figures of the prior period before January 1, 2018, our consolidated financial information as of and for the years ended December 31, 2016 and December 31, 2017 may not be directly comparable against our consolidated financial information on or after January 1, 2018, including our audited consolidated financial statements for the year ended December 31, 2018. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2018 against our consolidated financial figures prior to January 1, 2018 and when evaluating our financial position and results of operations.

With effect from January 1, 2019, we adopted HKFRS 16 under which we are required to adjust certain amounts recognized in the condensed consolidated financial information. Please refer to Note 3 of our interim financial information for the six months ended June 30, 2019 for a discussion on the effects of the adoption of HKFRS 16. We adopted HKFRS 16 retrospectively from January 1, 2019, without requiring any restatement of the corresponding figures of the prior period before January 1, 2019. Our condensed consolidated interim financial information as of and for the six months ended June 30, 2018 may not be directly comparable against our condensed consolidated interim financial information on or after January 1, 2019, including our condensed consolidated interim financial information as of and for the six months ended June 30, 2019. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2019 against our consolidated financial figures prior to January 1, 2019 and when evaluating our financial position and results of operations.

SUMMARY CONSOLIDATED INCOME STATEMENT INFORMATION

	Year Ended December 31,				Six months Ended June 30,		
	2016	2017	2018		2018	2019	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands, except percentages)						
Revenue	46,678,865	51,607,059	56,144,926	8,178,431	24,205,780	27,114,425	3,949,661
Cost of sales	(34,313,168)	(30,919,581)	(31,471,009)	(4,584,269)	(12,187,897)	(18,894,381)	(2,752,277)
Gross profit	12,365,697	20,687,478	24,673,917	3,594,161	12,017,883	8,220,044	1,197,384
Selling and marketing costs	(2,097,973)	(2,258,938)	(2,318,044)	(337,661)	(1,030,848)	(958,789)	(139,663)
Administrative expenses	(1,458,191)	(2,044,294)	(2,909,554)	(423,824)	(1,017,952)	(1,390,459)	(202,543)
Net impairment (losses)/reversal on financial and contract assets	—	—	(97,250)	(14,166)	(28,667)	(58,835)	(8,570)
Fair value gains on investment properties(1)	42,960	—	—	—	—	—	—
Other gains/(losses), net	(334,708)	40,049	1,986,253	289,330	314,344	4,721,982	687,834
Other income	278,662	570,485	1,040,034	151,498	372,917	577,400	84,108
Other expenses	(195,880)	(396,633)	(257,002)	(37,437)	(54,024)	(134,737)	(19,627)
Operating profit	8,600,567	16,598,147	22,118,354	3,221,902	10,573,653	10,976,606	1,598,923
Finance costs, net	(1,124,531)	(898,674)	(2,744,353)	(399,760)	(853,269)	(925,642)	(134,835)
Share of post-tax profit/(losses) of associates	(3,375)	85,953	22,297	3,248	48,418	(10,212)	(1,488)
Share of post-tax profit/(losses) of joint ventures	10,453	83,388	4,801	699	(99,163)	160,500	23,379
Profit before income tax	7,483,114	15,868,814	19,401,099	2,826,089	9,669,639	10,201,252	1,485,980
Income tax expenses	(4,433,480)	(9,088,536)	(11,043,282)	(1,608,635)	(5,389,298)	(4,307,561)	(627,467)
Profit for the year/period	3,049,634	6,780,278	8,357,817	1,217,453	4,280,341	5,893,691	858,513
Profit attributable to:							
Shareholders of the Company	2,283,640	6,025,244	7,125,007	1,037,874	3,758,948	5,076,668	739,500
Holders of perpetual capital securities	415,263	472,663	676,906	98,602	287,316	417,296	60,786
Non-controlling interests	350,731	282,371	555,904	80,977	234,077	399,727	58,227
	3,049,634	6,780,278	8,357,817	1,217,453	4,280,341	5,893,691	858,513
Dividends	1,555,147	2,129,019	1,658,443	241,579	1,697,844	2,110,764	307,467
OTHER FINANCIAL DATA							
EBITDA(2)	11,608,980	20,083,981	22,959,271	3,344,395	11,423,534	13,184,128	1,920,485
EBITDA Margin(3)	24.9%	38.9%	40.9%	40.9%	47.2%	48.6%	48.6%

Notes:

(1) In 2017, 2018 and the six months ended June 30, 2019, fair value gains on investment properties was included in other gains/(losses), net.

(2) The calculation of earnings before interest, taxation, depreciation and amortization (EBITDA) excluded fair value gains on investment properties. 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 income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/ expense, and exchange gains/losses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures*" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA.

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

SUMMARY CONSOLIDATED BALANCE SHEET INFORMATION

	As of December 31,				As of June 30,	
	2016	2017	2018		2019	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
			(in thousands, except percentages)			
ASSETS						
Non-current assets						
Property, plant and equipment	7,309,147	7,573,037	8,753,527	1,275,095	10,135,686	1,476,429
Land use rights	2,029,966	2,073,655	2,039,236	297,048	2,213,978	322,502
Properties under development	9,510,651	17,826,344	16,936,396	2,467,064	20,182,627	2,939,931
Intangible assets	55,357	155,278	258,990	37,726	507,492	73,925
Investment properties	6,326,943	5,886,604	8,804,220	1,282,479	8,434,750	1,228,660
Goodwill	—	1,303,095	1,841,613	268,261	3,093,210	450,577
Interest in associates	114,461	567,221	951,393	138,586	1,091,212	158,953
Interest in joint ventures	4,624,663	6,438,514	9,136,960	1,330,948	11,013,740	1,604,332
Available-for-sale financial assets	277,500	277,500	—	—	—	—
Derivative financial instruments	254,497	—	—	—	—	—
Receivables from related parties	4,383,129	6,547,559	12,510,503	1,822,360	6,970,515	1,015,370
Right of use assets	—	—	—	—	723,132	105,336
Financial assets at fair value through other comprehensive income	—	—	—	—	149,542	21,783
Deferred income tax assets	699,275	986,760	1,433,982	208,883	994,299	144,836
Prepayments for acquisition of equity interests	—	1,078,421	870,856	126,854	802,314	116,870
	35,585,589	50,713,988	63,537,676	9,255,306	66,312,497	9,659,504
Current assets						
Properties under development	36,706,691	46,990,187	73,631,444	10,725,629	83,744,956	12,198,828
Completed properties held for sale	13,976,133	9,915,913	8,446,700	1,230,401	6,432,953	937,065
Prepayments for acquisition of land use rights	9,614,483	5,762,937	5,187,072	755,582	14,328,964	2,087,249
Trade and other receivables	11,462,643	16,396,483	27,735,425	4,040,120	29,153,979	4,246,756
Prepaid income taxes	1,760,871	2,253,557	3,165,117	461,051	5,919,806	862,317
Derivative financial instruments	307,870	—	—	—	11,036	1,608
Financial assets at fair value through profit and loss	—	1,204,478	3,232,031	470,798	2,607,169	379,777
Restricted cash	9,878,734	11,078,175	9,285,376	1,352,568	8,383,819	1,221,241
Cash and cash equivalents	12,431,884	19,041,948	35,776,231	5,211,396	33,204,267	4,836,747
Contract assets	—	—	448,715	65,363	462,795	67,414
	96,139,309	112,643,678	166,908,111	24,312,908	184,249,744	26,839,001
Total assets	131,724,898	163,357,666	230,445,787	33,568,214	250,562,241	36,498,506
EQUITY						
Capital and reserves attributable to the shareholders of the Company						
Share capital and premium	4,290,028	3,421,883	3,421,883	498,453	3,421,883	498,453
Shares held for Share Award Scheme	(156,588)	(156,588)	(156,588)	(22,810)	(156,588)	(22,810)
Other reserves	3,092,833	785,400	2,604,982	379,458	2,975,164	433,382
Retained earnings	28,083,330	32,284,542	35,368,931	5,152,066	38,363,826	5,588,321
	35,309,603	36,335,237	41,239,208	6,007,168	44,604,285	6,497,347
Perpetual capital securities	5,597,503	5,529,424	8,334,875	1,214,111	13,147,447	1,915,142
Non-controlling interests	3,248,124	2,311,569	5,406,850	787,597	6,209,687	904,543
Total equity	44,155,230	44,176,230	54,980,933	8,008,876	63,961,419	9,317,031
LIABILITIES						
Non-current liabilities						
Borrowings	31,180,908	34,529,004	53,196,485	7,748,942	57,455,085	8,369,277
Deferred income tax liabilities	1,137,167	1,174,595	1,884,085	274,448	3,339,259	486,418
Financial liabilities at fair value through profit or loss	—	—	—	—	62,179	9,057
Lease liabilities	—	—	—	—	439,490	64,019
Derivative financial instruments	—	4,403	6,144	895	27,272	3,973
	32,318,075	35,708,002	55,086,714	8,024,285	61,323,285	8,932,744
Current liabilities						
Borrowings	12,815,016	27,146,235	35,332,872	5,146,813	36,111,659	5,260,256
Trade and other payables	21,101,960	23,263,952	42,533,971	6,195,771	40,037,815	5,832,165
Advanced proceeds received from customers	10,617,432	19,460,971	—	—	—	—
Current income tax liabilities	10,717,185	13,361,431	17,014,547	2,478,448	16,718,079	2,435,263
Derivative financial instruments	—	240,845	7,192	1,048	—	—
Contract liabilities	—	—	25,489,558	3,712,973	32,231,094	4,694,988
Lease liabilities	—	—	—	—	178,890	26,058
	55,251,593	83,473,434	120,378,140	17,535,053	125,277,537	18,248,731
Total liabilities	87,569,668	119,181,436	175,464,854	25,559,338	186,600,822	27,181,474
Total equity and liabilities	131,724,898	163,357,666	230,445,787	33,568,214	250,562,241	36,498,506
Net current assets	40,887,716	29,170,244	46,529,971	6,777,854	58,972,207	8,590,271
Total assets less current liabilities	76,473,305	79,884,232	110,067,647	16,033,161	125,284,704	18,249,775

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

RISKS RELATING TO OUR BUSINESS

We are heavily dependent on the performance of the property market in the PRC, particularly in Southern China Region, Eastern China Region and Hainan Province

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Most of our property developments are located in Southern China Region, Eastern China Region and Hainan Province. We established our business by developing private residential properties in the City of Zhongshan in Guangdong Province in 1992 and began expanding our project development activities to other locations outside Southern China Region in 2006. As of June 30, 2019, we had 60 projects in Southern China region, 46 projects in Eastern China region, five projects in Hainan Province, 46 projects in the rest of China, one project in Hong Kong and two projects in Kuala Lumpur, Malaysia at various stages of development.

Since our business is and will continue to be heavily dependent on the continued growth of the property market in Southern China region, Eastern China region and Hainan Province, any adverse developments in the supply and demand or in property prices in Southern China region, Eastern China region and Hainan Province would have an adverse effect on our results of operations and financial condition. In addition, future demand for different types of residential properties is uncertain. If we fail to respond to market changes or customer preferences in a timely manner or at all, our business, financial condition and results of operations will be adversely affected.

As consumer spending changes due to changing economic conditions, we cannot assure you that property development and investment activities will continue to grow or that we will be able to benefit from future growth in the property market in Southern China Region, Eastern China region, Hainan Province or the PRC. In addition, we cannot assure you that there will not be any over-supply of properties in the cities or regions where we have property projects. Any such over-supply or adverse developments in national and local economic conditions as measured by such factors as GDP growth (which has slowed down in recent years, with real annual GDP growth slowing to 6.9% in 2017 from 14.2% in 2007), employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and have a material adverse effect on our business, financial condition and results of operations. Demand for and prices of properties in the PRC are also directly affected by the macroeconomic control measures adopted by the PRC government from time to time. In the past few years, the PRC government has announced a series of measures designed to stabilize the rapid growth of the PRC economy and the growth of specific sectors, including the property market, to a more sustainable level. Also see "*— Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.*"

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. In 2018, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on various categories of imports from China, and China responded with similarly sized tariffs on U.S. products in retaliation. The trade war escalated in May 2019, when the United States increased tariffs on US$200 billion worth of Chinese products from 10% to 25%, and China increased tariffs on US$60 billion worth of U.S. goods in response. Moreover, since May 2019, the United States has banned six Chinese technology firms from exporting certain sensitive U.S. goods. In August 2019, the U.S. Treasury declared China a currency manipulator. On September 1, 2019, the U.S. implemented further tariffs on more than US$125 billion worth of Chinese goods. On September 2, 2019, China lodged a complaint in the World Trade

Organization against the U.S. over the import tariffs. The rhetoric surrounding the trade war continues to escalate and negotiations are continuing. 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.

We cannot assure you that property development and investment activities will continue at past levels, or that we will be able to benefit from the future growth, if any, of the property market in Southern China Region, Eastern China Region and Hainan Province or the PRC in general.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. Since then, the PRC and many other foreign economies have shown signs of recovery. 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. In June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). So far, negotiations between the United Kingdom and the European Union have yielded no agreement. Given the lack of precedent, it is unclear how the forthcoming Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. More recently, since June 2019, Hong Kong has been experiencing protests and riots initially triggered by a proposed extradition law amendment bill and the full extent of the adverse impact on the local economy caused by such activities are yet to be seen.

The outlook for the world economy and financial markets remains uncertain. In Europe, the Greek economy remains in a deep recession due to its sovereign debt crisis, which the Eurozone is still trying to tackle. In the United States, economy growth remains slow, creating further uncertainty with respect to the Federal Reserve's monetary policy and the trend of interest rates. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their selling prices. While the PRC economy and property market have improved recently, the potential momentum will still be very much dependent on the global market, especially the economic conditions in Europe and the United States. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity and potential property purchaser's ability to obtain financing. Therefore, if the global economic slowdown and uncertainty in the financial markets continue, our business, financial condition and results of operations may be adversely affected.

Increasing competition in the PRC, particularly in Southern China Region, Eastern China region and Hainan Province, may adversely affect our business and financial condition

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

The intensity of competition among property developers in Southern China Region, Eastern China region, Hainan Province and elsewhere in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, an over-supply of properties in certain parts of the PRC, including Southern China Region, Eastern China region and Hainan Province, a decrease in property prices and delays in the government approval process. Any of the above may adversely affect our business, financial condition and results of operations.

In addition, the property markets in Southern China Region, Eastern China region, Hainan Province and elsewhere in the PRC have been rapidly changing. If we cannot respond to changes in market conditions in Southern China Region, Eastern China region and Hainan Province or elsewhere or changes in customer preferences more swiftly or effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

Our strategy of expanding into new geographical areas may fail

Since 2006, we have been expanding our business into geographical areas outside Southern China region. We also evaluate potential projects for development outside the PRC from time to time, including but not limited to those in Hong Kong, Malaysia, Cambodia and the U.S. We may also pursue selective strategic acquisitions of businesses and properties if suitable opportunities arise. We cannot assure you that we will be able to replicate our successful business models and leverage such experience to expand into other parts of China. In January 2014, we partnered with PJ Development Holdings Berhad to develop a property project in Kuala Lumpur, Malaysia, which is our first project in the overseas market. In May 2014, we partnered with Tropicana Corporation Berhad to develop another property in Kuala Lumpur, Malaysia. In 2017, we acquired a project in Hong Kong. When we enter new markets, we may face intense competition from developers with experience or established presence in the geographical areas or segments that we plan to expand into and from other developers with similar expansion plans. In addition, expansion or acquisition requires a significant amount of capital investment, and it may divert the resources and time of our management. Further, if we fail to integrate the new businesses effectively, our operating efficiency may be adversely affected. Our failure to manage any of our planned expansion or acquisitions may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been expanding our operations in recent years and expect to continue expanding. We have entered new geographical markets and new industries such as construction and environmental protection. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

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

We have taken initiatives or made plans to expand into new industries such as environmental protection, construction and real estate construction management with a view to establishing alternative revenue sources. For more information, see the section entitled "*Business — Environmental Protection*", "*Business — Construction*" and "*Business — Real Estate Construction Management*". There is no assurance that we can leverage our experience in the property industry and replicate our success in other industries.

Our expansion in general may require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment or market, navigating different regulatory regimes or obtaining necessary governmental approvals, difficulties in gaining market recognition or competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, ability to develop the necessary technology or know-how for the new businesses, and the diversion of resources and attention of our management.

Moreover, our entry into a new industry has exposed or will expose us to additional risks common in such industry. Operations in new industries may elevate our risks in areas such as regulatory compliance, customer complaints or lawsuits. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations.

Our financing costs are affected by changes in interest rates

Our financing costs and, as in turn, 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 People's Bank of China (the "PBOC"). Such rates have fluctuated in recent years in line with government macro-economic policies. As of the date of this offering memorandum, the benchmark one-year lending rate is 4.35%. As of June 30, 2019, regardless of exchange differences arising from foreign currencies borrowings, the effective interest rate on our outstanding borrowings was 7.06% and we had RMB93,566.7 million (US$13,629.5 million) of outstanding borrowings (including our senior notes, various credit facilities and other borrowings). Our interest expenses on bank and other borrowings and syndicated loans for 2016, 2017 and 2018 and the first half of 2019 were RMB1,551.1 million, RMB1,927.9 million, RMB3,571.7 million (US$520.3 million) and RMB2,308.5 million (US$336.3 million), respectively. Since June 30, 2019, we have entered into additional financing agreements that can impact our financing costs. See "*Recent Developments*" and "*Description of Other Material Indebtedness*" for more details. The PBOC may raise lending rates again in the future, in which case our business, financial condition and results of operations will be adversely affected.

The PRC government has imposed restrictions on PRC property developers to obtain offshore financing which could affect our ability to inject the funds raised in the offering into our business in the PRC

The "Notice on Further Strengthening the Regulation on Approval and Supervision of Foreign Direct Investment in Real Estate Industry 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) jointly issued by the Ministry of Commerce ("MOFCOM") and the State Administration of Foreign Exchange ("SAFE") on May 23, 2007, and the "Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration" (國家外匯管理局關於發佈<外債登記管理辦法>的通知) issued by SAFE on April 28, 2013, which became effective on May 13, 2013 and contains an appendix named the "Operating Guidelines for Foreign Debt Registration Administration" (外債登記管理操作指引), stipulate, among other things, (i) that the local 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 MOFCOM on or after June 1, 2007; and (ii) that the local foreign exchange authorities will no longer process foreign exchange registrations (or any change in such registrations) or applications for settlement and sale of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local commerce departments on or after June 1, 2007 but that did not register with MOFCOM. These regulations effectively restrict us from injecting funds raised offshore into our PRC project companies by way of shareholder loans. Without this flexibility, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each distribution payment date to pay the distribution due and payable under the Securities, or on a redemption date to pay for the principal of the Securities.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from or filings with the commerce department of the local government, which may take considerable time and delay the actual contribution to our PRC subsidiaries. This may adversely affect the financial condition of our PRC subsidiaries and may cause delays to the projects undertaken by such PRC subsidiaries. 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.

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

On June 27, 2018, NDRC emphasized in a post published on its website that the proceeds from offshore bond offerings by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital.

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.

We may not be able to obtain sites that are suitable for property developments

We derive a substantial portion of our revenue from sales and delivery of properties developed by us. This revenue stream is dependent on the completion of, and our ability to sell, our property developments. To maintain or grow our business in the future, we are required to replenish our land bank with suitable sites for development. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain substitute land sites for development in the future at commercially acceptable prices or at all.

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability to acquire land use rights for sites we identify and the costs of our acquisitions. The PRC central and local governments may regulate the means by which property developers, including ourselves, obtain land sites for property developments. See "*— Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.*"

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

We have signed land grant contracts or transfer documents for, or otherwise hold other forms of interests in, certain land parcels for 17 of our projects for which we had not yet obtained land use rights certificates. As of June 30, 2019, these parcels of land occupied an aggregate site area of approximately 1.5 million sq.m. We cannot assure you that we will not be subject to a late payment penalty and there are instances that we have been subject to late payment penalties. There are also instances that we have not finally obtained land use rights after entered into the land grant contract because of the government's adjustment on the land planning and other reasons. If we fail to complete the acquisition of these pieces of land, we will not be able to develop and sell properties on such land. We may not be able to acquire replacement land on terms commercially acceptable to us, or at all, which could have a material adverse effect on our business, financial condition, results of operations and business prospects. See "*Business — Description of Property Developments.*"

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

On September 28, 2007, the Ministry of Land and Resources issued the revised "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), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on

November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. On March 8, 2010, the Ministry of Land and Resources issued the "Circular on Strengthening Real Estate Land Supply and Supervision" (關於加強房地產用地供應和監管有關問題的通知), under which property developers are required to pay 50% of the land premium as a down payment within one month of signing a land grant contract, and the balance is to be paid in full within one year of the date of the land grant contract. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our cash flow position, financial condition and business plans.

The MOHURD and the Ministry of Land and Resources jointly issued the "Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply" (關於加強近期住房及用地供應管理和調控有關問題的通知) dated April 1, 2017 which requires that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations.

Our profit margin is sensitive to fluctuations in the costs of construction materials and land

Construction and land costs constitute one of the main components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third party contractors, labor costs, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of our property development projects, with the cost of third-party contractors remaining relatively stable. However, as construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs. We also carry out certain construction work through our construction subsidiary which is directly affected by such cost fluctuations. There has been a significant increase in construction material costs and labor costs since 2011. We believe that construction costs will likely continue to rise with inflation in the foreseeable future.

Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and cement. In line with industry practice, if there is a significant price fluctuation, depending on the specific terms of each contract, we will be required to re-negotiate existing construction contracts to top up payment to, or receive refund from, the contractors, depending on the price movement. Our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected.

In addition, land costs may fluctuate as a result of the price volatility of land. In 2016, 2017 and 2018 and the first half of 2019, our total land costs transferred to cost of sales amounted to approximately RMB8,336.5 million, RMB6,872.3 million, RMB7,432.1 million (US$1,082.6 million) and RMB4,996.8 million (US$727.9 million), representing 18.6%, 14.0%, 14.2% and 20.2% of our sales revenue from property development during these periods, respectively. Our profit margin is sensitive to changes in market prices of land.

We may not have adequate capital resources 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 our equity and debt financing. However, we cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. As of June 30, 2019, our outstanding long-term and short-term borrowings were RMB57,455.1 million (US$8,369.3 million) and RMB36,111.7 million (US$5,260.3 million), respectively.

Our ability to obtain adequate financing for 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. The PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements for property developers, which, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of luxury residential properties;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local region; and
- forbid commercial banks from issuing loans or providing loan extension services to a developer for its new projects if the developer has a record of maintaining idle land, changing the land use purpose and nature without proper approval, delaying the construction commencement or completion date, hoarding properties or other forms of non-compliance.

In addition, the PBOC regulates the lending rates and reserve requirement ratios for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. The PBOC raised the benchmark one-year lending rate several times between 2004 and 2008. The PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. After the commencement of the global economic slowdown in the second half of 2008, the PRC government adopted measures intended to stimulate economic development, including lowering benchmark lending rates and the reserve requirement ratios for commercial banks. However, the PBOC increased the benchmark one-year lending rate and the reserve requirement ratios several times since 2010. Since 2012, the PBOC decreased both the one-year lending rate and the reserve requirement several times. We cannot assure you that the PBOC will not raise either the reserve requirement ratios or the benchmark one-year lending rate in the future. Such increases may negatively impact the amount of funds available to commercial banks in China to lend to businesses, including us, and may therefore adversely affect our business, financial condition and results of operations. On October 15, 2018, the PBOC reduced the reserve requirement ratio by one percentage point and further on September 16, 2019, the PBOC reduced the reserve requirement ratio by 0.5 percentage point. The benchmark one-year lending rate is currently 4.35% and the current reserve requirement ratio ranges from 11% to 13%.

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 balance 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 policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments. In April 2017, the PRC government required that local authorities should adopt procedures to examine the source of funds for land acquisitions to insure the property developers acquiring land with internal funds. These requirements may constrain our cash otherwise available for additional land acquisition and construction. There are instances where we have not paid the land premiums on time and have paid penalties for this. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments, or to service our financing obligations, and our business and financial condition may be materially adversely affected. In addition, the increase in benchmark lending rates has led to higher interest rates for mortgage loans, which may depress demand in the property market in general.

Moreover, on September 21, 2018, Guangdong Real Estate Association issued an "Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses" (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancellation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. In the event that the PRC governments prohibit pre-sale of properties or impose additional or more stringent requirements, the property developers like us may not have sufficient cash flows for property development projects and have liquidity problems. If we do not have sufficient cash flows from pre-sale to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

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. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

Property developers in the PRC must obtain a formal qualification certificate in order to engage in a property development business in the PRC. According to the "Provisions on Administration of Qualification Certificates of Property Developers" (房地產開發企業資質管理規定), newly established developers must first apply for a provisional qualification certificate valid for one year, which can be renewed for a maximum of two additional one-year periods. Entities engaged in property management or interior decoration should also obtain qualification certifications before commencing their business, according to the "Measures on Administration of Qualification Certificates of Property Service Enterprises" (物業服企業資質管理規定) and the "Provisions on Administration of Qualification Certificates of Construction Enterprises" (建築業企業資質管理規定). However, on March 8, 2018, the Measures on Administration of Qualification Certificates of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property services.

In addition, property developers in the PRC, such as our individual project companies, are required to present a valid qualification certificate when they apply for a pre-sale permit. If a newly established property developer fails to commence developing property within one-year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. In reviewing the renewal of a qualification certificate, the local authority takes into account the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, as well as whether the property developer has any illegal or inappropriate operations. Each of our project companies needs to renew such certificates every year.

If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. As of the date of this offering memorandum, certain of our project companies which have property development projects are in the process of applying for qualification certificates or in the process of renewing their qualification certificates. However, we cannot assure you that any of our project, property service or construction companies will be able to obtain, maintain or renew such qualification certificates from the government in a timely manner, or at all, as and when they expire. If our project, property service or construction companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee financial institutions if our purchasers default on their mortgage payments

We arrange for various domestic banks to provide mortgages to the purchasers of our properties. In accordance with market practice, financial institutions require us to provide guarantees in respect of these mortgages. Substantially all of these guarantees are discharged upon earlier of (i) the issuance of the property ownership certificate, which will generally be available within one year after the purchasers take possession of the relevant property and (ii) the satisfaction of relevant mortgage loans by purchasers. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the by financial institutions. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our outstanding guarantees over mortgage loans of our customers amounted to RMB33,293.6 million, RMB38,570.8 million, RMB44,775.4 million (US$6,522.3 million) and RMB41,086.2 million (US$5,984.9 million), respectively. In addition, we also provide guarantees to mortgages for purchases of properties developed by joint venture partners or associates in which we participated. As of December 31, 2016, 2017 and 2018, our proportionate interest in financial guarantee of mortgage facilities for purchasers relating to the associate was RMB359.4 million, RMB964.3 million and RMB73.0 million (US$10.6 million), respectively, and our proportionate interest in financial guarantee of mortgage facilities for purchasers relating to the joint ventures was RMB523.9 million, RMB455.8 million and RMB3,407.1 million (US$496.3 million), respectively. Although we have historically experienced a low rate of default on mortgage loans guaranteed by us, we cannot assure you that such purchaser default rates will not increase in the future. If such default occurs and our relevant guarantee is called upon, our business, results of operations and financial condition could be materially and adversely affected to the extent that there is a material depreciation in the value of the related properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

Our operating results fluctuate from period to period and the fluctuations make it difficult to predict our future performance

Our results of operations have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. For 2016, 2017 and 2018 and the first half of 2019, our revenue was RMB46,678.9 million, RMB51,607.1 million, RMB56,144.9 million (US$8,178.4 million) and RMB27,114.4 million (US$3,949.7 million), respectively, and net profit attributable to our shareholders was RMB2,283.6 million, RMB6,025.2 million, RMB7,125.0 million (US$1,037.9 million) and RMB5,076.7 million (US$739.5 million), respectively. Because we derive our revenue substantially from the sale of properties, our results of operations are affected by the demand for our properties and the price at which we are able to sell them. The demand for and pricing of the properties are in turn, to a large extent, affected by the general condition of the property market. In addition, we recognize proceeds from the sale of a property as revenue when or as the control of the asset is transferrred to the purchaser. 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. 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 purchaser obtains control of the asset. Therefore, our revenue and profit during any given period reflects the quantity of properties delivered during that period and are affected by peaks or troughs in our property delivery schedule and may not be indicative of the actual demand for our properties or sales achieved during that period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers in the past, typically in the prior fiscal period. As a result, our current or historical operating results are not necessarily indicative of future results.

We rely on independent contractors to provide property development products and services

In line with industry practice, we mostly engage independent contractors to provide various property development services, including construction, piling and foundation, engineering, interior decoration and fitting out, mechanical and electrical installation and utilities installation. We select independent contractors through open tenders. We typically invite contractors to tender bids based on their reputation for quality, track record, financial strength, price and references, and once a contract is awarded, we supervise the contractor's work. However, we cannot assure you that the services rendered by any of these independent contractors or subcontractors will be completed in a timely manner or of satisfactory quality.

If these services are not timely provided or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects, and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed sum to which they committed contractually and we may have to bear such additional amounts. Furthermore, any contractor that experiences financial or other difficulties, including labor disputes with its employees, may be unable to carry out construction or related work, resulting in a delay in the completion of our projects or resulting in additional costs. We believe that any problems with our contractors, individually or in the aggregate, may materially and adversely affect our financial condition, results of operations or reputation. We cannot assure you that such problems with our contractors will not occur in the future.

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

We began to develop a number of projects through joint venture arrangements with independent third parties, such as the principal investment groups of global investment banks, real estate funds and other property developers.

Our joint venture partners or project development partners may:

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

Furthermore, any actual or perceived deterioration in the reputation of our joint venture partners could have an adverse impact on our business operations, profitability and prospects.

In addition, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations and would divert resources and management's attention. See "*— We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.*"

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See "*— We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.*" In addition, even if a jointly developed project is successfully completed, the project may not be well received by the market and we may not realize all the benefits we anticipated.

In the event that we encounter any of the foregoing problems with respect to our joint venture partners or project development partners, our business operations, profitability and prospects may be materially and adversely affected. See "*— We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.*"

Our land use rights may be subject to forfeiture by the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, 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 bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, even if the time of commencement of the land development is in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract; and (ii) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land.

Some of our PRC subsidiaries such as subsidiaries in Hainan, Xishuangbanna and Chuzhou historically have received idle land notices or idle land investigation notices from the relevant local PRC government for certain parcels of land of our projects. We were also requested to pay idle land fees for certain parcels of land which were regarded as idle lands by the local government. We have now commenced the development or permitted to postpone the development of some of these parcels or are negotiating with the local government authorities for the settlement. In relation to some parcels of the aforesaid land, the local PRC government has withdrawn its idle land notice or has granted an extension of the development time.

In addition, we currently have certain parcels of land, of which we have not commenced or completed the property development within the time period as stipulated in the respective land grant contracts but have not received any idle land notice. For some of these parcels we are subject to the default penalty and for some of these parcels we are discussing with the local governmental authorities for the settlement such as land replacement. However, we cannot assure you that the government will waive the default penalties of idle land fee or allow us to postpone the development or not issue an default penalties of idle land notice for such land parcels and such situation will adversely affect the development of certain project. If the local government authorities do not waive the idle land fee imposed on us or grant an extension under the existing land grant contracts, we will be required to pay the idle land fee as stipulated in the relevant notice and may further be required to pay penalties or be negatively impacted in relation to our future ability to obtain land from the PRC government. We cannot assure you that future circumstances leading to penalty on, or forfeiture of, land use rights in respect of idle land or delays in the completion of a property development may not arise in the future. If our land use rights are forfeited, we will not be able to continue our property development on the affected land or recover the costs incurred for the initial acquisition of the forfeited land use rights or recover development costs and other costs incurred up to the date of forfeiture, each of which will have a material adverse effect on our business, financial condition and results of operations.

The availability and affordability of mortgages to purchasers 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 such manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower's monthly income. In addition, to curtail the overheating of the property sector, between 2006 and 2008, the PRC government implemented, among other things, regulations that increased the down payment requirement for mortgage loans in respect of residential and commercial properties. In the second half of 2008 and in 2009, in order to mitigate the impact of the global economic slowdown, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding the PBOC benchmark bank lending rates. Furthermore, the minimum down payment ratio for residential properties was lowered to 20% for units with a unit floor area of less than 90 sq.m. per unit. However, to curtail the overheating of the PRC property market, the General Office of the State Council on January 7, 2010 issued the "Circular on Facilitating the Stable and Healthy Development of Property Market" (關於促進房地產地產市場平穩健康發展的通知), which provides that the down payment for the second property bought with mortgage loans shall not be less than 40% of the total 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份城市房價快上漲的通知) which stipulated that down payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or further properties bought with mortgage loans or to non-residents who cannot provide any proof of income tax or social insurance payment more than one year. On September 29, 2010, PBOC and the China Banking Regulatory Commission (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), under which, the minimum down payment for all first home purchases is increased to 30% of the purchase price. On January 26, 2011, the State Council issued the "Notice Concerning Further Strengthening the Macro economic Control of Real Property Market" (關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment is raised to 60% of the purchase price for second-house purchases with the minimum loan interest rate at 110% of the benchmark rate. In October 2011, a number of PRC domestic banks raised the mortgage rates for first-time home buyers by a minimum of 5%. In addition, due in large part to the PRC government's credit tightening policies, the bank approval process for a mortgage loan application in 2011 generally took longer than before. 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 provides that for 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 the third quarter of 2013, there has been a further increase on the down payment ratio of second home purchase mortgages. On September 29, 2014, the PBOC and CBRC jointly issued the "Notice on Further Improving Financial Services for Real Estate Sector" (關於進一步做好住房金融服務工作的通知), which provides that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property is 70% of the benchmark lending interest rate; (2) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. On March 30, 2015, the PBOC, CBRC and 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 where a household 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 its 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. Due to these factors, the availability and attractiveness mortgage financing may change from time to time. Our prospective customers may not be able to obtain mortgage loans in time, if at all, and as a result, our business, liquidity and results of operations could be adversely affected.

Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Changzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. In April 2018, Hainan province has promulgated stricter measures to restrict the purchase of residential properties. Our business, financial condition and results of operations may therefore be adversely affected.

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.

We face risks related to the pre-sale of properties, including the risk that property developments are not completed

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would find ourselves liable to purchasers of pre-sold units for losses suffered by them. If a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3% from the GFA specified in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

On August 5, 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report" in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the "two meetings" (the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of the PBOC, put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of the PBOC, published an article suggesting that the way to perfect the system for commodity housing presale of China is to abolish the financing function of presale. On July 24, 2007, an economy research group under the National Development and Reforming Commission (the "NDRC") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. Moreover, on September 21, 2018, Guangdong Real Estate Association issued an "Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses" (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancellation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. See "— *We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations.*" Moreover, we cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. Any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our need to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow results of operations and financial condition.

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

Property developments typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of property developments, if at all. The time and costs required in completing a property development may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent, the completion of a property development and result in costs substantially exceeding those originally budgeted for. In addition, failure to complete a property development according to its original specifications or schedule may give rise to potential liabilities and, as a result, our return on investments may be lower than originally expected.

We may be liable to our customers for damages if we do not deliver the property or individual property ownership certificates in a timely manner

Property developers are typically required to deliver the property within a time set out in the relevant property purchase contract and deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant property purchase contracts. Property developers, including ourselves, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the property purchase contracts to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration for it to issue a certificate of completion of the relevant properties before the delivery of such properties, and apply for the master property ownership certificate in respect of these properties after obtaining the certificate of completion. We are then required to submit within a certain period after delivery of the properties, the relevant property purchase contracts, identification documents of the purchasers, proof of payment of deed tax, together with the master property ownership certificate, to the relevant local authority for it to review and issue the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by any administrative authority in reviewing the application and granting approval as well as other factors may affect timely delivery of the property and the master as well as individual property ownership certificates. There are instances that we were liable for the late delivery of the property and the individual property ownership certificates and paid penalties to the purchasers. We cannot assure you that we will not become liable to purchasers for late delivery of the individual property ownership certificates due to our own fault or for any reason beyond our control in the future.

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

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

We may be materially and adversely affected if the resettlement costs or similar costs associated with certain property developments increase

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

We may be involved in legal, administrative 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, and there have been instances historically involving disputes with various parties involved in the land acquirement, development, decoration and sale of our properties, including but not limited to contractors, suppliers, construction workers, sellers of projects or project companies, tenants, purchasers, governments, sales agents and project development partners. We may also be involved in disputes with various parties relating to our property management business. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. As most of our projects comprise 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 historically had and may have disagreements with regulatory bodies and be subject to investigations in the course of our operations, which has or may subject us to administrative proceedings, unfavorable decrees and penalties that result in material liabilities and cause delays to our property developments. From time to time, our officers and management may be parties to litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

See "*— Disputes with joint venture partners or our project development partners may adversely affect our business.*" We cannot assure you that we will not experience similar disputes with potential joint venture partners, or that any disputes with parties involved in the development and sale of our properties in the future will not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation.

Our branding and marketing strategy could be adversely affected if homeowners in the projects that we have developed elect to discontinue our engagement as the provider of property management services

We provide post-sale property management services to the owners of each residential project that we have developed through A-living and its subsidiaries. We believe that property management is an integral part of our business and is very important to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the homeowners in a residential community have the right to change the property management company through collective action. If owners of the projects that we currently manage elect to discontinue our property management services for any reason, our branding strategy and the marketing of our future property development could be adversely and significantly affected.

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

We do not maintain insurance for destruction of or damage to our property developments that are under development or completed and pending delivery, other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the loan agreements. We also do not carry insurance to cover personal injuries that may occur during the construction of our property developments. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on work sites. Although we believe any such liability would be borne by third-party construction companies, we cannot assure you that we will not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages and liabilities in the course of our operations and property development, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

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

Under PRC tax laws and regulations, our PRC subsidiaries that are in the property development business are subject to LAT which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but are required to pay only a portion of such provisions each year pursuant to tax regulations. For 2016, 2017 and 2018 and the first half of 2019, LAT charged to our income tax expense was RMB2,609.9 million, RMB5,289.8 million, RMB6,838.1 million (US$996.1 million) and RMB1,322.3 million (US$192.6 million), respectively. For the same periods, we made payments for provisional LAT in the amount of RMB3,628.0 million, RMB2,724.6 million, RMB2,620.6 million (US$381.7 million) and RMB1,738.1 million (US$253.2 million), respectively. Our LAT provision balance as of December 31, 2016, 2017 and 2018 and June 30, 2019 amounted to RMB7,261.4 million, RMB9,826.6 million, RMB14,044.2 million (US$2,045.8 million) and RMB13,628.4 million (US$1,985.2 million), respectively. Our LAT provisions are based on our estimate of a portion of our properties that are eligible for certain exemptions available to ordinary residential properties. We cannot assure you that the tax authorities will agree with our estimation or the basis on which we calculate our LAT or other tax obligations. In the event that the tax authorities assess us with additional LAT or other tax and we are unable to successfully challenge such assessments, our net profits after tax may be adversely affected. In addition, we will be subject to LAT in the new markets as we expand our property developments and we cannot assure you that the LAT obligations we are to assess and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Since January 2005, we have been required to pay provisional LAT in respect of the sales and pre-sales of our properties in Guangzhou, Guangdong Province. In Zhongshan and Foshan, Guangdong Province, provisional LAT requirements have been in effect since 1996 and 2002, respectively. Likewise, we are required under local regulations to pay provisional LAT in other regions or cities when we start to pre-sell our property developments in these regions or cities. Generally, the provisional LAT rates in these cities range from 1% to 2.5% of the pre-sale proceeds, depending on the type and location of the pre-sold properties.

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" (關於房地產開發土地增值稅清算管理有關問題的通知), which requires that:

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

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

- for completed projects, the area sold exceeds 85% of the total saleable area or, if less than 85%, the unsold saleable area has been rented or is self-occupied;

- the project has held a sale/pre-sale license for at least three years but has not been sold out completely;

- the taxpayer has applied for tax de-registration but the LAT settlement has not been conducted; or

- other situations set forth by the provincial PRC tax authorities.

Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations and there are uncertainties as to how they will enforce this notice.

On May 25, 2010, the State Administration of Taxation published the "Circular on Strengthening the Collection and Administration of Land Appreciation Tax" (關於加強土地增值税徵管工作的通知) (the "SAT Circular"). According to the SAT Circular, all local governments were required to make adjustments to the then prevailing provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in the middle and northeastern regions shall not be lower than 1.5% and the provinces in the western region shall not be lower than 1%; and the local governments may determine the provisional LAT rate applicable to different types of real estate.

In the event that relevant tax authorities change their requirements as to the amount or timing of payment of provisional LAT or increase the LAT prepayment rate, our cash flow may be materially and adversely affected.

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

Under "Regulations on the Administration of Quality of Construction Works" (建設工程質量管理條例), all property development companies in the PRC are obliged to ensure the quality for the properties they construct or sell. We are required to provide quality warranties to our customers. These are instances that certain of our subsidiaries received claims from our customers about the quality of our properties. We may sometimes receive quality warranties from third-party contractors we hire to construct our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the retention money retained by us is not sufficient to cover our payment obligations under the quality warranties, we could incur significant expenses to resolve such claims or face delays as a result of correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

In addition, operations at construction sites are intrinsically dangerous, involving the use of industrial machinery and the hoisting of heavy construction materials, typically within confined spaces. Construction operations may also be affected by use of various contractors and adverse weather conditions. Historically, accidents have occurred at certain of our construction sites, which we believe are attributable to inadequate attention to certain safety measures on such sites. While we continue to take steps to improve our construction management, we cannot assure you that similar accidents will not occur again in the future. Should such accidents continue to occur, we may be subjected to legal liability, prolonged negative publicity or official investigation, and we may have to stop work on construction sites for a prolonged period of time while we undertake safety checks, any of which would have a material adverse effect on our business, financial condition and results of operations.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services

Our future success depends heavily upon the continuing services of the members of our senior management team. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions or if their services are disrupted as a result of being involved in or providing assistance to any investigations by authorities or administrative, legal and other proceedings, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition, results of operations and prospects may be materially and adversely affected.

Competition for senior management and key personnel is intense while the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or other key personnel, or attract and retain high-quality senior executives or other key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose customers and key professionals and staff members.

Our controlling shareholders are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of June 30, 2019, approximately 67.10% of our outstanding shares were beneficially owned by the Chen family. Subject to compliance with applicable laws, by maintaining such ownership, the Chen 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 particular, the strategic goals and interests of the Chen 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 Securities.

Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates of completion. Each approval is dependent on the satisfaction of certain conditions. There were instances where penalties or adminstrative investigations were imposed on us by relevant local government for failing to develop in accordance with approval or to obtain the approval in a timely manner, such as construction commencement permits and construction plan permits, or the approval of using the woodland and geothermal energy for certain of our property projects. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted, which would materially and adversely affect our business, results of operations and financial condition.

The non-compliant GFA of some of our completed property developments may subject us to additional payments, corrective actions, or potential liabilities

The local government authorities inspect our property developments after completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the amount of GFA authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorized by the construction permit, we may be required to make additional payments or take corrective actions with respect to such non-compliant GFA before the property development may obtain a completion certificate. If we fail to obtain the completion certificate due to such non-compliance, we will not be allowed to deliver the relevant properties or recognize any revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

Potential liability for environmental problems could result in substantial costs and delays

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as the nature of the adjoining properties. Environmental laws and conditions, may cause us to incur substantial compliance and other costs and can prohibit, delay, or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit the environmental impact documents, issue orders to suspend construction and impose a penalty amounting up to 1%–5% of the total investment amount for each of our projects for which approval of the environmental impact assessment document has not been granted prior to the commencement of construction. For certain of our projects, we did not submit the environmental impact assessment documents although we have obtained the relevant government approvals to commence the development of these projects. However, we cannot assure you that the local authorities will not impose a penalty upon us with respect to these projects due to the lack of such environmental impact documents or that an environmental investigation with respect to these projects in the future would not reveal material environmental liabilities.

In addition, PRC law had required environmental facilities to be included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our projects have environmental facilities that are subject to this requirement and are undergoing inspections. If we fail to comply with such requirement, the local environmental authorities may order us to suspend the construction or use of such facilities, which may disrupt our operations and adversely affect our business. The authorities may also impose on us a fine of up to RMB100,000 per breach in respect of such projects. We cannot assure you that we can obtain such approvals in a timely manner, or at all. In the event that such completion approvals cannot be obtained or if fines are imposed on us, our business, results of operations and financial condition may be materially and adversely affected. From November 20, 2017, PRC law requires the project company to conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects maintained by the Ministry of Ecology and Environment. The environmental protection departments at all levels shall carry out supervision and inspection by randomly selecting inspection objects and randomly selecting law enforcement inspectors relying on the completed construction project environmental protection acceptance information platform, and the supervision results should open to the public. If we fail to comply with such requirement, the local environmental authorities shall order us to make corrections within a time limit and a fine of up to RMB200,000 per breach in respect of such projects.

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

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

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

Under PRC tax laws effective prior to January 1, 2008, dividends, interest and other amounts paid to foreign investors by foreign-invested enterprises, such as amounts paid to us by our operating subsidiaries in China, were exempt from PRC withholding tax. Under the Corporate Income Tax Law (企業所得稅法) ("CIT Law") and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

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

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for CIT Law purposes, we would be subject to the PRC corporate income tax at the rate of 25% on our worldwide income. Furthermore, we may be obligated to withhold PRC income tax of up to 7% on payments of interest and redemption premium on the Securities to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and redemption premium on the Securities to investors that are non-resident enterprises located outside Hong Kong, because the interest and redemption premium may be regarded as being derived from sources within the PRC. In the case of individual holders of Securities, the tax may be withheld at a rate of 20%. In addition, if we fail to do so, we may be subject to fines and other penalties. If we are required to withhold PRC tax from interest payments on the Securities, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Securities of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Securities and could have an adverse effect on our financial condition. Further, if we were treated as a PRC resident enterprise, any gain realized by a non-resident enterprise investor from the transfer of the Securities may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax in the case of non- resident enterprises or 20% in the case of non-resident individuals.

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

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC" (關於進一步加強規管外商直接投資房地產業審批和監管的通知), which, among other things, provides that:

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

On July 10, 2007, SAFE issued a circular indicating that for foreign-invested enterprises in the real estate sector, it would not process any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM on or after June 1, 2007.

In June 2008, MOFCOM issued the "Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector" (關於做外外商投資房地產業備案工作的通知), often known as "Notice No. 23." According to Notice No. 23, MOFCOM entrusts provincial MOFCOM departments to verify materials on records of foreign-invested real estate enterprises. Notice No. 23 requires that the establishment (including the increase of registered capital) of a foreign-invested real estate enterprise shall comply with the project company principle of engaging in one approved real estate project only.

On November 22, 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, when a real estate enterprise is established in China with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for speculative purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in real estate development and management.

On June 24, 2014, MOFCOM and SAFE jointly issued the "Circular on Improving the Record-filing for Foreign Investment in Real Estate" (關於改進外商投資房地產案工作的通知), effective on August 1, 2014. According to this circular, the provincial branch of MOFCOM instead of MOFCOM will be in charge of the filing work of the foreign-invested real estate enterprises.

On November 11, 2015, MOFCOM and SAFE jointly issued the "Circular on Further Improving the Record-filing for Foreign Investment in Real Estate" (關於改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been canceled.

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

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

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. The rapid expansion of the property market in certain major provinces and cities in China in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC provinces and cities therein have experienced rapid and significant growth. In recent years however, risk of property over-supply is increasing in certain 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 and slower growth of economy, 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*."

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sale of properties. This cyclicality, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

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

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

- limiting monthly mortgage payments to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

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

- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use right grant contract and voiding land use right for land which has not been developed for two years or more;

- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;

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

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 consist of units with floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC Government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction (the "70:90 rule");

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

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

- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign individuals and institutions; and

- limiting the number of the residential properties that a single household may purchase.

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

Starting from late 2009 until now, the PRC government has adopted a series of new policies to cool down the property market, including, among other things:

- abolishing certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;

- imposing property purchase restrictions on non-local citizens, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers, increasing mortgage interest rates and construction loan interest rates;

- increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases with a minimum lending interest rate of at least 110% of the benchmark rate. Since September 2014, where a household 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 its living conditions, the minimum down payment will be 30% of the property price and the floor mortgage loan interest will be 70% of the benchmark lending interest rate. Since March 2015, where a household 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 its living conditions, the minimum down payment will be 40% of the property price;

- restricting purchasers, in certain targeted cities, from acquiring second (or further) residential properties and restricting non-residents that cannot provide proof of local tax or social security payments for more than a specified time period from purchasing any residential properties. Since September 2014, in cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its 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 and 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 as required by the related policies;

- launching new property tax schemes in certain cities such as Shanghai and Chongqing on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. Shanghai and Chongqing municipal governments have also issued provisional measures, respectively, levying property tax on, among other things, a second residential property purchased by individuals who do not have local household registration; and

- urging provincial governments to implement home purchase restrictions to control property prices, and listed certain criteria for the implementation of restrictions, and in the second half of 2011, extending such home purchase restrictions to certain second- and third-tier cities in addition to the 40-plus first- and second-tier cities which have already adopted home purchase restriction measures.

The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, PRC government issued notices in September 2014 and March 2015, which decreased the requirement of the minimum down payment and the floor loan interest rate for a household to buy another residential property to improve its living conditions, 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. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off all of its 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 and 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 as required by the related policies. Regulations were promulgated at various levels to promote affordable housing. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. See "*Regulation.*" We have had to adapt our operations to these austerity measures. We adopted various sales tactics in 2011 to increase sales in different projects, such as offering discounts in property prices. We also adjusted the construction schedules of our projects and made the decision in December 2011 to temporarily suspend land purchases until February 2012.

Furthermore, the governments of Beijing and Guangzhou have adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the presale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the "second generation" personal identification cards for the review of their eligibility to purchase residential properties in Beijing. Many cities in the PRC have already promulgated measures to restrict the number of residential properties a household is allowed to purchase. 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 provides, among other things, (i) limitations on the purchase of commodity properties and second-hand properties located within the entire administrative area of a city; (ii) further increase in the down payment ratios and interest rates for loans to purchase second properties for cities with excessive increase in housing prices; and (iii) implementing a capital gain tax of 20%. On November 15, 2013, the general office of the People's Government of Guangzhou issued the "Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market" (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the increase of low-cost commodity housing supply and controlling of high-end commodity housing supply; (2) limitation on the number of properties a non-local resident families can purchase; and (3) the further increase of minimum down payment for loans to purchase second properties for the Guangzhou Branch of PBOC. Any such measures could have a material adverse effect on our business, financial condition or results of operations. In order to implement the central government's requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. Since June 2014, many cities, including those where our property projects are located, have lifted or eased the limitation on the purchase of commodity properties. In 2015, the Ministry of Finance also expanded a business tax exemption to include sellers who have owned their home for as little as two years, rather than the previous minimum of five years.

Since September 30, 2016, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers. Shanghai recently launched a new campaign to regulate the so-called commercial-title apartments and suspended approval of all new commercial-title apartment applications. The construction and sale of commercial and office projects will also 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. We cannot assure you that our projects in Shanghai will not be affected by such new policy.

We cannot assure you that the PRC government will not adopt additional or more stringent policies, regulations and measures in the future. For instance, the PRC government may impose a countywide real estate tax in the future. We are not sure when or whether such tax reforms will be imposed and neither can we assess the adverse impact of such new tax policies on our business operations and financial results. Also, the PRC government have or may impose strict restriction on the sale of the properties, such as limiting the scope of purchasers and limiting the sale price, which have or will have adverse impact on our business. If we fail to adapt our operations to such 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.

Property development in the PRC is still at an early stage and lacks adequate infrastructural support

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

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

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

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC as well as government policies could affect our business

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are subject to the economic, political and legal developments of the PRC.

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

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. However, since early 2004, the PRC government has from time to time implemented measures to prevent the PRC economy, including the property market, from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of the such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. If China's economic growth decreases or if the PRC economy experiences a recession, the growth in demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected. See "— *Risks Relating to Our Business — We may be adversely affected by fluctuations in the global economy and financial markets.*"

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

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

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all our revenues in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies, including the Securities. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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

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

Circular No. 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 the 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, the 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. According to the "Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for 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) issued by SAFE in February 2015, effective from June 1, 2015, the foreign exchange registration as required by Circular No. 37 can be conducted at banks rather than local branches of SAFE (except for supplemental registrations under Circular No. 37). Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, paying dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Our controlling shareholders have completed the registration of their overseas invested companies in accordance with Circular No. 75. Changes in the status of these overseas invested companies would, at the request of the local foreign exchange administration bureau, require further registration of changes in accordance with Circular No. 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.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Further on May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the US$ — RMB exchange rates. On the same day, the daily reference rate for Renminbi against U.S. dollars depreciated by 1.9% to 6.2298 compared with 6.1162 for August 10, 2015. The International Monetary Fund announced on September 30, 2016 that, effective from October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. In addition, because of our substantial indebtedness and other obligations in foreign currencies, any significant fluctuation in the value of the Renminbi may have a material adverse effect on our business condition and results of operations. As of June 30, 2019, we had U.S. dollar-denominated debt totaling US$2,564.0 million, primarily consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK$22,396.3 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans.

Uncertainty with respect to the PRC legal system could adversely affect us

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

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. For example, on September 14, 2015, the NDRC issued the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外

債備案登記制管理改革的通知) (the ''NDRC Notice''), which provides that 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 in relation to foreign debt with a maturity of more than one year to the NDRC within ten business days in the PRC after the completion of each issuance. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue notification requirement. We have registered the issuance of the Securities with the NDRC pursuant to the NDRC Notices. Similarly, the legal consequences of non-compliance with the post-issuance reporting requirement under the NDRC is unclear. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. On May 11, 2018, the NDRC and the MOF promulgated the Circular on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risks and Local Debt Risks (關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知), which may further restrict our ability to obtain financing through offshore debt offerings. Pursuant to a post on NDRC's website on June 27, 2018, proceeds from offshore debt offerings shall mainly be used to repay the issuer's exiting debts and may not be used to finance its onshore and offshore real estate project development or as working capital. As it is unclear how the rules and regulations set out in the NDRC Notice may be developed or extended in the future, there is no assurance that the use of proceeds arising from offshore debt issuances by property companies will not be further restricted and the PRC government may impose additional restrictive requirements and/or conditions on the use of such proceeds in the future. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Our primary operating subsidiaries were incorporated in China as ''wholly foreign-owned enterprises.'' Although we or our wholly owned subsidiaries are the sole shareholder of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions.

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

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

Holders of the Securities may experience difficulties in effecting service of legal process and enforcing judgments against us and our management

Substantially all of our operating subsidiaries are incorporated under PRC laws, and substantially all of our assets are located in China. In addition, most of our directors and officers reside within China, and substantially all of their assets are located within China. As a result, it may not be possible to effect service of process outside of China upon most of our directors or officers. Moreover, our PRC counsel has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in civil and commercial cases with the United States, the United Kingdom, Japan or most other Western Countries. Therefore, it may be difficult for you to enforce against us or our directors or officers in China any judgments obtained from non-PRC courts.

Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("SARS"), and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. In particular, any future outbreak of SARS, avian flu or other similar adverse epidemics may, among other things, significantly disrupt our business, including limiting our ability to travel or ship our products within the PRC. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which may in turn have a material and adverse effect on our results of operations, financial condition and business. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of swine flu, avian flu, SARS or any other epidemic.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees and our markets, any of which could materially impact our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that currently we cannot predict.

RISKS RELATING TO THE SECURITIES

Certain initial investors may own a significant portion of the Securities to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the Securities. Additionally, this may reduce the liquidity of the Securities in the secondary trading market

Certain initial investors may purchase and own a significant portion of the Securities being offered under this offering memorandum. Any holder that holds a significant percentage of the Securities, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the Securities.

The existence of any such significant holder may reduce the liquidity of the Securities in the secondary trading market. Additionally, interests of such holders may be in conflict with the interest of other holders of the Securities. If such holder sells a material portion of the Securities in the secondary market, it may materially and adversely affect the trading price of the Securities. The negative effect of such sales on the prices of the Securities could be more pronounced if secondary trading in the Securities is limited or illiquid.

The Securities are perpetual securities and investors have no right to require redemption

The Securities are perpetual and have no maturity date. We are under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, holders of the Securities should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

The Securities may not be suitable investment for all investors

The Securities are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this offering memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;

(iv) understand thoroughly the terms of the Securities and be familiar with the behavior of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Holders may not receive Distribution payments if we elect to defer Distribution payments

We may, at our sole discretion and unless, during the three months ending on the day before the scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred, subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. In addition, under some circumstances (as more fully described in "*Terms and Conditions of the Securities*"), we are required to defer scheduled Distributions. We are not subject to any limits as to the number of times Distributions can or must be deferred pursuant to the Terms and Conditions of the Securities subject to compliance with Condition 5 *(Distributions)* of the Terms and Conditions of the Securities. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Terms and Conditions of the Securities we may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Holders.

Any such deferral of Distribution shall not constitute a default for any purpose unless, in the case of a deferral, such payment is required in accordance with Condition 5(d)(vi) *(Distributions — Distribution Deferral — Satisfaction of Arrears of Distribution by payment).*

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which there was an original issue discount or in respect of which interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in our business and/or financial condition.

All redemption rights are at our discretion and the timing of redemption of the Securities may not correspond with the Holders' expectations or preferences

The Terms and Conditions of the Securities provide that the Securities are redeemable at our option, in whole but not in part, on the First Reset Date, or any business day after the First Reset Date at their Redemption Amount.

In addition, we also have the right to redeem the Securities, in whole but not in part, if (a) there are any amendments or changes to the Relevant Accounting Standard such that the Securities must not or must no longer be recorded as our "equity" pursuant to the Relevant Accounting Standard, (b) there are any changes in, or amendments to, to the laws or regulations of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) such that we have or will become obliged to pay material additional amounts in respect of tax on the Securities and such obligation cannot be avoided by taking reasonable measures available to us, or (c) by reason of a Change of Control Triggering Event (as defined in "*Terms and Conditions of the Securities*"), as referred to in the Terms and Conditions of the Securities. The date on which we elect to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to Holders in light of market conditions or the individual circumstances of the Holder of Securities. A Holder's ability to realize value at a certain time may be limited to selling the Securities into the secondary market. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

The insolvency laws of the Cayman Islands and PRC and other local insolvency laws applicable to us may differ from those of any other jurisdiction with which holders of the Securities are familiar

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. We and our non-PRC subsidiaries, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Securities are familiar. You should carefully analyze the risks and uncertainties in the insolvency laws of the Cayman Islands, the PRC and other jurisdictions applicable to us before you invest in the Securities.

There are limited remedies for non-payment under the Securities

Any scheduled Distribution will not be due if we elect to defer that Distribution. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and we fail to make the payment when due. The only remedy against us available to the Trustee or (where the Trustee has failed to proceed against us as provided in the Terms and Conditions of the Securities) any Holder of Securities for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of our payment obligations arising from the Securities and the Trust Deed.

The Securities contain provisions regarding modification and waivers which may affect the rights of Holders

The Terms and Conditions of the Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Holders, (a) agree to any amendment or modification of the Terms and Conditions of the Securities or the Trust Deed (other than in respect of a Reserved Matter (as defined therein)) which is, in the opinion of the Trustee, not materially prejudicial to the interests of Holders and to any amendment or modification of the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error; and (b) authorize or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

The Terms and Conditions of the Securities also provide that if a Special Event has occurred and is continuing, then we may, without the consent of Holders, subject to having notified the Trustee that Condition 14 *(Substitution or Variation)* has been satisfied as to certain matters and giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16 *(Notices),* the Holders (which notice shall be irrevocable), (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities (as defined in the Terms and Conditions of the Securities).

Individual Certificates will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination

The Securities will be issued in the denomination of US$200,000 and integral multiples of US$1,000 in excess thereof. The Terms and Conditions of the Securities provide that, for so long as the Securities are represented by the Global Certificate and Euroclear and Clearstream (or any other relevant clearing system) so permit, the Securities will be tradable in nominal amounts equal to the minimum denomination and integral multiples of US$1,000 in excess thereof.

Individual Certificates will only be issued if Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to permanently cease business. If Individual Certificates are issued, such Securities will be issued only in respect of amounts equal to denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Any remaining nominal amount of Securities will be cancelled and Holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Securities. Individual Certificates will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination and such Securities will be cancelled and Holders will have no rights against us (including rights to receive principal or interest or to vote) in respect of such Securities.

A trading market for the Securities may not develop

The Securities are new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Issuer's financial condition. We do not intend to list our Securities on any securities exchange. We cannot assure you that an active trading market will develop. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the Securities. The Joint Lead Managers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The Trustee may request Holders of the Securities to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including without limitation the taking of action as contemplated in Condition 9 (*Non-payment*)), the Trustee may (as its sole and absolute discretion) request Holders of the Securities to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Holders of the Securities. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Securities and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Holders of the Securities to take such actions directly.

We may raise other capital which affects the price of the Securities

We now have, and will continue to have after the offering of the Securities, a substantial amount of indebtedness. As of June 30, 2019, our total indebtedness outstanding, including both current and non-current borrowings, amounts to RMB93,566.7 million (US$13,629.5 million). Our amounts due to related parties as of June 30, 2019 was RMB4,868.1 million (US$709.1 million). We have, since June 30, 2019, in the ordinary course of business, entered into additional financial arrangements to finance our property development and for general corporate purposes. See "*Description of Other Material Indebtedness*."

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

- reduce the amounts available to Holders on a Winding-Up;
- 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. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which we may issue or incur and which rank senior to, or *pari passu* with, the Securities and in respect of which we may grant security over our assets. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on our Winding-Up and/or may increase the likelihood of a deferral of Distribution under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

Our ability to generate sufficient cash to satisfy our outstanding and future debt and other obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt and other obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness and satisfy our other obligations, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In the event of a shortfall of funds on a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount of the Securities or any unpaid Distributions, Arrears of Distribution or Additional Distribution Amounts.

Uncertainties with respect to the implementation of the NDRC Notice on the issue of the Securities

The NDRC issued the NDRC Notice on September 14, 2015, which came into effect on the same day. According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities.

The NDRC Notice itself is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Although the Issuer obtained the pre-issuance registration certificate in respect of the offering of the Securities from NDRC on July 23, 2019, if the NDRC finds the Issuer to be guilty of maliciously obtaining quota of foreign debts or providing false information, NDRC may blacklist or publish on the national credit information platform a bad credit record against the Issuer, or even punish the Issuer with other related authorities. In the worst case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Securities and the Securities may be subject to enforcement as provided in Condition 9. Potential investors of the Securities are advised to exercise due caution when making their investment decisions.

Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Notice. The post-issue notification is a procedural process which involves the reporting of certain post-issuance information in respect of the Securities by the Issuer to NDRC rather than a substantive approval or consent process. Any failure by the Issuer to complete the post-issue notification in accordance with the NDRC Notice will not impact the enforceability or validity of the Securities. The Issuer has undertaken to notify NDRC of the particulars of the issue of the Securities within 10 PRC business days after the Issue Date.

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 pay dividends to our shareholders and to satisfy our obligations. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. For example, under some of our financing agreements, our subsidiary borrowers and guarantors have agreed not to distribute dividends before repaying relevant loans without obtaining lenders' prior consent. See "*Description of Other Material Indebtedness — PRC Project Loans — Covenants*" and "*Description of Other Material Indebtedness — Offshore Facility Agreements — Covenants*". In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Securities or pay dividends to our shareholders. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to make payments of Distribution or principal under the Securities.

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. In practice, our PRC project companies may pay dividends only after they have completed the project development and the construction of at least a phase or a building and the related revenue recognition as well as the required government tax clearance and foreign exchange procedures. In addition, 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 an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5% subject to approval by relevant PRC tax authorities, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Securities, and there could be restrictions on payments required for any early redemption of the Securities. Furthermore, although we currently do not have any offshore shareholder loans to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such an event, the market interest rates that our PRC subsidiaries will pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans payable by our subsidiaries, therefore, are likely to be lower than the interest rate for the Securities. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to make payments of Distribution or principal under the Securities.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of Distribution under the Securities

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by or filings with the relevant PRC authorities. In addition, the "Notice on Further Strengthening the Regulation on Approval and Supervision of Foreign Direct Investment in Real Estate Industry in the PRC" (關於進一步加強規管外商直接投資房地產業審批和監管的通知) jointly issued by MOFCOM and SAFE on May 23, 2007, and the "Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration" (國家外匯管理局關於發佈<外債登記管理辦法>的通知) issued by SAFE on April 28, 2013, which became effective on May 13, 2013 and contains an appendix named the "Operating Guidelines for Foreign Debt Registration Administration" (外債登記管理操作指引) 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 industry that was approved by the local office of MOFCOM and registered with MOFCOM after June 1, 2007. Foreign invested-enterprises include joint ventures and wholly foreign owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China practicably may only be transferred to our PRC subsidiaries as equity investments. Any transfer of the proceeds to our PRC subsidiaries in the form of loans will be 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 our PRC subsidiaries as loans, in the event of a shortfall of funds on a Winding-Up there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount of the Securities or any unpaid Distributions. Arrears of Distribution or Additional Distribution Amounts.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from or filings with the commerce department of the local government, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. 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.

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. 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.

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

The Securities are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and is denominated in Renminbi. The exchange rates between the Renminbi and foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, 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, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. The Renminbi depreciated against the U.S. dollar by 2.43% in 2014, while in general it appreciated against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. There remains significant international pressure on the PRC government to adopt a more flexible currency policy and the PBOC have previously announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented, it is possible that they may result in a devaluation of the Renminbi against the U.S. dollar or other foreign currencies, in which case our financial condition and results of operations could be adversely affected because of our substantial foreign-currency-denominated indebtedness and other obligations. As of June 30, 2019, we had U.S. dollar-denominated debt totaling US$2,564.0 million, consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK$22,396.3 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans. See "*Description of Other Material Indebtedness.*" Such devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Securities.

Since early 2016, we have adopted a hedging policy and entered into capped forward contracts to mitigate certain of our foreign currency exposure in United States dollars and Hong Kong dollars denominated indebtedness and achieve better management over foreign exchange risk. Following the offering of the Securities, we may enter into foreign exchange or interest rate hedging agreements with respect to our U.S. dollar-denominated liabilities under the Securities. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Joint Lead Managers and their affiliates may enter into such hedging agreements permitted under the trust deed governing the Securities, and these agreements may be secured by pledges of our cash and other assets as permitted under the trust deed governing the Securities. If we were unable to provide such collateral, it could constitute a default under such agreements.

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

We may be unable to obtain and remit foreign exchange

Our ability to satisfy payments of Distribution and principal under the Securities depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, 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 China, 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 shareholder loans, which may affect our ability to satisfy our ability to satisfy payments of Distribution and principal under the Securities.

Our operations are restricted by the terms of our other debt arrangements, 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

Our debt documents include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of us and certain of our subsidiaries, to:

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

- guarantee indebtedness of certain of our subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the certain of our 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.

Our credit rating may decline

There is a risk that our credit rating may change as a result of changes in our operating performance or capital structure, or for some other reason. No assurance can be given that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant or if a different methodology is applied to derive such credit ratings. Any lowering or withdrawal of our credit rating could, notwithstanding that it is not a rating of the Securities, adversely impact the market price and the liquidity of the Securities.

Certain facts and statistics are derived from publications not independently verified by us, the Joint Lead Managers or our respective advisors

Facts and statistics in this offering memorandum relating to China's economy and the real estate industry are derived from publicly available and third-party professional 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 Joint Lead Managers 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.

Holders may suffer unforeseen losses due to fluctuations in interest rates

Holders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices, resulting in a capital loss for Holders. However, Holders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, bond prices may rise. Holders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates. In addition, the Securities may suffer a decline in Distribution Rate. A holder of securities with a fixed distribution rate which will be reset during the term of the securities (as will be the case for the Securities on and after July 31, 2024 if not previously redeemed by reference to the then yield of the applicable Treasury Rate (as defined in "*Terms and Conditions of the Securities*") is exposed to the risk of fluctuating distribution rate levels and uncertain distribution income. Fluctuating Distribution Rate levels make it impossible to determine the yield of such securities in advance.

Holders may suffer erosion in the return on their investments due to inflation

Holders may suffer erosion in the return on their investments due to inflation. Holders would have an anticipated rate of return based on expected inflation rates on the purchase of the Securities. An unexpected rise in inflation could reduce the actual returns to Holders.

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 differs in certain significant respects from GAAP in other jurisdictions, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAP and how those differences might affect the financial information contained in this offering memorandum.

USE OF PROCEEDS

We intend to use the net proceeds for the refinancing of certain existing medium to long term offshore indebtedness, which will become due within one year.

We may adjust the foregoing plans in response to changing market conditions and circumstances and, thus, reallocate the use of the net proceeds. Pending application of the net proceeds of this offering, we intend to deposit such net proceeds to demand deposits, time deposits or money market instruments.

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of 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 May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. The PRC government in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity rate for the trading against the Renminbi on the following working day.

Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

Period	Noon buying rate			
	Period end	Average[(1)]	High	Low
	(RMB per US$1.00)			
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019				
May	6.9027	6.8519	6.9182	6.7319
June	6.8650	6.8977	6.9298	6.8510
July	6.8833	6.8775	6.8927	6.8487
August	7.1543	7.0629	7.1628	6.8972
September	7.1477	7.1137	7.1786	7.0659
October	7.0379	7.0961	7.1473	7.0379
November (through November 1, 2019)	7.0368	7.0368	7.0368	7.0368

Source: Federal Reserve H.10 Statistical Release

Note:

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

HONG KONG

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

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

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

Noon Buying Rate

Period	Noon buying rate			
	Period end	Average(1)	High	Low
	(HK per US$1.00)			
2014	7.7531	7.7554	7.7669	7.7495
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019				
May	7.8387	7.8478	7.8497	7.8387
June	7.8103	7.8260	7.8430	7.8080
July	7.8275	7.8133	7.8275	7.7956
August	7.8403	7.8420	7.8469	7.8266
September	7.8401	7.8350	7.8425	7.8177
October	7.8376	7.8421	7.8454	7.8371
November (through November 1, 2019)	7.8365	7.8365	7.8365	7.8365

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION

The following table sets forth on an actual basis our consolidated cash and cash equivalents, short- term borrowings and capitalization as of June 30, 2019, and as adjusted to give effect to the Securities now being issued before deducting the underwriting fees, commissions and other estimated expenses payable in connection with this offering. Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since June 30, 2019.

	As of June 30, 2019			
	Actual		Adjusted	
	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands)			
Cash and cash equivalents[1]	33,204,267	4,836,747	34,577,267	5,036,747
Short-term borrowings[2][3]				
Current portion of non-current borrowings	25,780,905	3,755,412	25,780,905	3,755,412
Other borrowings				
— secured	6,340,681	923,624	6,340,681	923,624
— unsecured[8]	700,000	101,967	700,000	101,967
Short-term bank borrowings				
— secured	1,823,508	265,624	1,823,508	265,624
— unsecured[8]	1,466,565	213,629	1,466,565	213,629
Total short-term borrowings	36,111,659	5,260,256	36,111,659	5,260,256
Long-term borrowings[3][4][5]				
Senior Notes[8]	15,001,118	2,185,159	15,001,118	2,185,159
PRC corporate bonds	8,564,851	1,247,611	8,564,851	1,247,611
Asset-backed securities	1,055,340	153,728	1,055,340	153,728
Commercial Mortgage Backed Securities	4,078,639	594,121	4,078,639	594,121
Other borrowings				
— secured	5,411,130	788,220	5,411,130	788,220
— unsecured[8]	981,250	142,935	981,250	142,935
Long-term syndicated loans				
— secured	16,261,451	2,368,747	16,261,451	2,368,747
— unsecured[8]	1,470,251	214,166	1,470,251	214,166
Long-term bank borrowings				
— secured	21,966,571	3,199,792	21,966,571	3,199,792
— unsecured[8]	8,445,389	1,230,210	8,445,389	1,230,210
Less: Current portion of non-current borrowings	(25,780,905)	(3,755,412)	(25,780,905)	(3,755,412)
Total long-term borrowings	57,455,085	8,369,277	57,455,085	8,369,277
Capital and reserves				
Share capital and premium	3,421,883	498,453	3,421,883	498,453
Shares held for share award scheme	(156,588)	(22,810)	(156,588)	(22,810)
Other reserves	2,975,164	433,382	2,975,164	433,382
Retained earnings	38,363,826	5,588,321	38,363,826	5,588,321
Total capital and reserves attributable to our shareholders	44,604,285	6,497,347	44,604,285	6,497,347
Perpetual capital securities	13,147,447	1,915,142	13,147,447	1,915,142
Securities to be issued[7]	—	—	1,373,000	200,000
Total capitalization[6]	115,206,817	16,781,765	116,579,817	16,981,765

Notes:

(1) Cash and cash equivalents exclude restricted cash of RMB8,383.8 million (US$1,221.2 million) as of June 30, 2019. Restricted cash consists principally of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

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

(3) As of June 30, 2019, RMB46,107.1 million (US$6,716.3 million) of our long-term and short-term borrowings had been incurred by our PRC subsidiaries.

(4) As of June 30, 2019, our consolidated capital commitments were RMB47,780.4 million (US$6,960.0 million) and our contingent liabilities amounted to approximately RMB48,540.2 million (US$7,070.7 million). See "*Management's Discussion and Analysis of Financial Conditions and Results of operations — Liquidity and Capital Resources — Contractual Obligations*" and "*— Contingent Liabilities*."

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

(6) Total capitalization includes total long-term borrowings plus total capital and reserves attributable to our shareholders and perpetual capital securities.

(7) In accordance with HKFRS, the Securities should be recorded at their fair value net of transaction costs incurred upon initial recognition, which may be substantially different from the aggregate principal amount of the Securities. For illustrative purposes only, the Securities have been recorded at their aggregate principal amount, before deducting the underwriting fees, commissions and other estimated expenses payable in connection with this offering, in the "Adjusted" column of the table above.

(8) As of June 30, 2019, the Senior Notes and the unsecured borrowings were jointly guaranteed by certain of our subsidiaries.

We have, since June 30, 2019, in the ordinary course of business, entered into additional financial arrangements to finance our property development and for general corporate purposes, which are not reflected in the table above. On August 28, 2019, we and certain of our subsidiaries entered into the August 2019 Facility. We also repurchased certain of our domestic corporate bonds on July 12, 2019 and October 11, 2019. See "*Business — Recent Development.*" On October 31, 2019, we issued the October 2019 Perpetual Securities. See "*Description of Other Material Indebtedness — October 2019 Perpetual Securities.*" We will continue to enter into short-term and long-term borrowings and other financing arrangements in the ordinary course of business, including construction and project loans and issuing perpetual securities. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Borrowings" and "Description of Other Material Indebtedness.*"

SELECTED 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 amounts presented in U.S. dollars), are derived from our audited consolidated financial statements for the years ended and as of December 31, 2017 and 2018. The summary financial data as of and for the six months ended June 30, 2018 and 2019 (except for EBITDA data and amounts presented in U.S. dollars) are derived from our unaudited condensed consolidated interim financial information for the six months ended and as of June 30, 2019. Consequently such unaudited condensed consolidated interim financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit and should not be taken as an indication of the expected financial condition, results of operations and results of the Issuer for the full financial year ended December 31, 2019. The summary financial data below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the audited consolidated financial statements, the unaudited condensed interim financial information and the notes to those statements and information included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

With effect from January 1, 2018, we adopted HKFRS 9 and HKFRS 15 under which we are required to reclassify and adjust certain of our financial line items in our financial statements. Please refer to Note 2.2 of our audited consolidated financial statements for the year ended December 31, 2018 for a discussion on the effects of the adoption of HKFRS 9 and HKFRS 15. As we applied the transitional provisions set out in HKFRS 9 and the modified retrospective approach set out in HKFRS 15, each without requiring any restatement of the corresponding figures of the prior period before January 1, 2018, our consolidated financial information as of and for the years ended December 31, 2016 and December 31, 2017 may not be directly comparable against our consolidated financial information on or after January 1, 2018, including our audited consolidated financial statements for the year ended December 31, 2018. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2018 against our consolidated financial figures prior to January 1, 2018 and when evaluating our financial position and results of operations.

With effect from January 1, 2019, we adopted HKFRS 16 under which we are required to adjust certain amounts recognized in the condensed consolidated financial information. Please refer to Note 3 of our interim financial information for the six months ended June 30, 2019 for a discussion on the effects of the adoption of HKFRS 16. We adopted HKFRS 16 retrospectively from January 1, 2019, without requiring any restatement of the corresponding figures of the prior period before January 1, 2019. Our condensed consolidated interim financial information as of and for the six months ended June 30, 2018 may not be directly comparable against our condensed consolidated interim financial information on or after January 1, 2019, including our condensed consolidated interim financial information as of and for the six months ended June 30, 2019. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2019 against our consolidated financial figures prior to January 1, 2019 and when evaluating our financial position and results of operations.

SUMMARY CONSOLIDATED INCOME STATEMENT INFORMATION

	Year Ended December 31,				Six months Ended June 30,		
	2016	2017	2018		2018	2019	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands, except percentages)						
Revenue	46,678,865	51,607,059	56,144,926	8,178,431	24,205,780	27,114,425	3,949,661
Cost of sales	(34,313,168)	(30,919,581)	(31,471,009)	(4,584,269)	(12,187,897)	(18,894,381)	(2,752,277)
Gross profit	12,365,697	20,687,478	24,673,917	3,594,161	12,017,883	8,220,044	1,197,384
Selling and marketing costs	(2,097,973)	(2,258,938)	(2,318,044)	(337,661)	(1,030,848)	(958,789)	(139,663)
Administrative expenses	(1,458,191)	(2,044,294)	(2,909,554)	(423,824)	(1,017,952)	(1,390,459)	(202,543)
Net impairment (losses)/reversal on financial and contract assets	—	—	(97,250)	(14,166)	(28,667)	(58,835)	(8,570)
Fair value gains on investment properties[1]	42,960	—	—	—	—	—	—
Other gains/(losses), net	(334,708)	40,049	1,986,253	289,330	314,344	4,721,982	687,834
Other income	278,662	570,485	1,040,034	151,498	372,917	577,400	84,108
Other expenses	(195,880)	(396,633)	(257,002)	(37,437)	(54,024)	(134,737)	(19,627)
Operating profit	8,600,567	16,598,147	22,118,354	3,221,902	10,573,653	10,976,606	1,598,923
Finance costs, net	(1,124,531)	(898,674)	(2,744,353)	(399,760)	(853,269)	(925,642)	(134,835)
Share of post-tax profit/(losses) of associates	(3,375)	85,953	22,297	3,248	48,418	(10,212)	(1,488)
Share of post-tax profit/(losses) of joint ventures	10,453	83,388	4,801	699	(99,163)	160,500	23,379
Profit before income tax	7,483,114	15,868,814	19,401,099	2,826,089	9,669,639	10,201,252	1,485,980
Income tax expenses	(4,433,480)	(9,088,536)	(11,043,282)	(1,608,635)	(5,389,298)	(4,307,561)	(627,467)
Profit for the year/period	3,049,634	6,780,278	8,357,817	1,217,453	4,280,341	5,893,691	858,513
Profit attributable to:							
Shareholders of the Company	2,283,640	6,025,244	7,125,007	1,037,874	3,758,948	5,076,668	739,500
Holders of perpetual capital securities	415,263	472,663	676,906	98,602	287,316	417,296	60,786
Non-controlling interests	350,731	282,371	555,904	80,977	234,077	399,727	58,227
	3,049,634	6,780,278	8,357,817	1,217,453	4,280,341	5,893,691	858,513
Dividends	1,555,147	2,129,019	1,658,443	241,579	1,697,844	2,110,764	307,467
OTHER FINANCIAL DATA							
EBITDA[2]	11,608,980	20,083,981	22,959,271	3,344,395	11,423,534	13,184,128	1,920,485
EBITDA Margin[3]	24.9%	38.9%	40.9%	40.9%	47,2%	48.6%	48.6%

Notes:

(1) In 2017 and 2018 and the six months ended June 30, 2019, fair value gains on investment properties was included in other gains/(losses), net.

(2) The calculation of earnings before interest, taxation, depreciation and amortization (EBITDA) excluded fair value gains on investment properties. 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 income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures*" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA.

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

SUMMARY CONSOLIDATED BALANCE SHEET INFORMATION

	As of December 31,				As of June 30,	
	2016	2017	2018		2019	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands, except percentages)					
ASSETS						
Non-current assets						
Property, plant and equipment	7,309,147	7,573,037	8,753,527	1,275,095	10,135,686	1,476,429
Land use rights	2,029,966	2,073,655	2,039,236	297,048	2,213,978	322,502
Properties under development	9,510,651	17,826,344	16,936,396	2,467,064	20,182,627	2,939,931
Intangible assets	55,357	155,278	258,990	37,726	507,492	73,925
Investment properties	6,326,943	5,886,604	8,804,220	1,282,479	8,434,750	1,228,660
Goodwill	—	1,303,095	1,841,613	268,261	3,093,210	450,577
Interest in associates	114,461	567,221	951,393	138,586	1,091,212	158,953
Interest in joint ventures	4,624,663	6,438,514	9,136,960	1,330,948	11,013,740	1,604,332
Available-for-sale financial assets	277,500	277,500	—	—	—	—
Derivative financial instruments	254,497	—	—	—	—	—
Receivables from related parties	4,383,129	6,547,559	12,510,503	1,822,360	6,970,515	1,015,370
Right of use assets	—	—	—	—	723,132	105,336
Financial assets at fair value through other comprehensive income	—	—	—	—	149,542	21,783
Deferred income tax assets	699,275	986,760	1,433,982	208,883	994,299	144,836
Prepayments for acquisition of equity interests	—	1,078,421	870,856	126,854	802,314	116,870
	35,585,589	50,713,988	63,537,676	9,255,306	66,312,497	9,659,504
Current assets						
Properties under development	36,706,691	46,990,187	73,631,444	10,725,629	83,744,956	12,198,828
Completed properties held for sale	13,976,133	9,915,913	8,446,700	1,230,401	6,432,953	937,065
Prepayments for acquisition of land use rights	9,614,483	5,762,937	5,187,072	755,582	14,328,964	2,087,249
Trade and other receivables	11,462,643	16,396,483	27,735,425	4,040,120	29,153,979	4,246,756
Prepaid income taxes	1,760,871	2,253,557	3,165,117	461,051	5,919,806	862,317
Derivative financial instruments	307,870	—	—	—	11,036	1,608
Financial assets at fair value through profit and loss	—	1,204,478	3,232,031	470,798	2,607,169	379,777
Restricted cash	9,878,734	11,078,175	9,285,376	1,352,568	8,383,819	1,221,241
Cash and cash equivalents	12,431,884	19,041,948	35,776,231	5,211,396	33,204,267	4,836,747
Contract assets	—	—	448,715	65,363	462,795	67,414
	96,139,309	112,643,678	166,908,111	24,312,908	184,249,744	26,839,001
Total assets	131,724,898	163,357,666	230,445,787	33,568,214	250,562,241	36,498,506
EQUITY						
Capital and reserves attributable to the shareholders of the Company						
Share capital and premium	4,290,028	3,421,883	3,421,883	498,453	3,421,883	498,453
Shares held for Share Award Scheme	(156,588)	(156,588)	(156,588)	(22,810)	(156,588)	(22,810)
Other reserves	3,092,833	785,400	2,604,982	379,458	2,975,164	433,382
Retained earnings	28,083,330	32,284,542	35,368,931	5,152,066	38,363,826	5,588,321
	35,309,603	36,335,237	41,239,208	6,007,168	44,604,285	6,497,347
Perpetual capital securities	5,597,503	5,529,424	8,334,875	1,214,111	13,147,447	1,915,142
Non-controlling interests	3,248,124	2,311,569	5,406,850	787,597	6,209,687	904,543
Total equity	44,155,230	44,176,230	54,980,933	8,008,876	63,961,419	9,317,031
LIABILITIES						
Non-current liabilities						
Borrowings	31,180,908	34,529,004	53,196,485	7,748,942	57,455,085	8,369,277
Deferred income tax liabilities	1,137,167	1,174,595	1,884,085	274,448	3,339,259	486,418
Financial liabilities at fair value through profit or loss	—	—	—	—	62,179	9,057
Lease liabilities	—	—	—	—	439,490	64,019
Derivative financial instruments	—	4,403	6,144	895	27,272	3,973
	32,318,075	35,708,002	55,086,714	8,024,285	61,323,285	8,932,744
Current liabilities						
Borrowings	12,815,016	27,146,235	35,332,872	5,146,813	36,111,659	5,260,256
Trade and other payables	21,101,960	23,263,952	42,533,971	6,195,771	40,037,815	5,832,165
Advanced proceeds received from customers	10,617,432	19,460,971	—	—	—	—
Current income tax liabilities	10,717,185	13,361,431	17,014,547	2,478,448	16,718,079	2,435,263
Derivative financial instruments	—	240,845	7,192	1,048	—	—
Contract liabilities	—	—	25,489,558	3,712,973	32,231,094	4,694,988
Lease liabilities	—	—	—	—	178,890	26,058
	55,251,593	83,473,434	120,378,140	17,535,053	125,277,537	18,248,731
Total liabilities	87,569,668	119,181,436	175,464,854	25,559,338	186,600,822	27,181,474
Total equity and liabilities	131,724,898	163,357,666	230,445,787	33,568,214	250,562,241	36,498,506
Net current assets	40,887,716	29,170,244	46,529,971	6,777,854	58,972,207	8,590,271
Total assets less current liabilities	76,473,305	79,884,232	110,067,647	16,033,161	125,284,704	18,249,775

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

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

Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from GAAP in other jurisdictions. In this section of the offering memorandum, references to "2016," "2017" and "2018" refer to our fiscal years ended December 31, 2016, 2017 and 2018, respectively. In this section of the offering memorandum, references to "the first half of 2018" and to "the first half of 2019" are to our interim financial periods for the six months ended June 30, 2018 and June 30, 2019, respectively.

OVERVIEW

We are a leading property developer in China. We focus primarily on the development of large-scale mixed-use property projects, with extensive presence in the businesses of property management, environmental protection, construction, real estate construction management and commercial projects. We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end-users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management services. On February 9, 2018, A-Living, which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company.

Under our experienced management team, we have grown our business substantially since our inception in 1992. For 2016, 2017 and 2018 and the first half of 2019, we recorded sales revenue from property development of RMB44,751.8 million, RMB49,261.8 million, RMB52,487.7 million (US$7,645.7 million) and RMB24,685.1 million (US$3,595.8 million), respectively, the net profit attributable to our equity holders was approximately RMB2,283.6 million, RMB6,025.2 million, RMB7,125.0 million (US$1,037.9 million) and RMB5,076.7 million (US$739.5 million), respectively.

We categorize our business into five business segments: property development, property management, hotel operations, property investment and environmental protection. We assess the performance of the operating segments based on a measure of segment results. Fair value gains on embedded financial derivatives and investment properties and net finance income/(costs) are not included in the result of any operating segment. Since our adoption of a new accounting policy for investment in joint ventures from January 1, 2013, the results of our joint ventures have been separately recorded in our consolidated financial statements through the equity method of accounting.

FACTORS AFFECTING OUR PERFORMANCE

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

Economic Growth of the PRC and the Property Market in the PRC

We believe that demand for our properties is driven in large part by the overall economic development, rising wages and the standard of living in the PRC as well as Hong Kong and Macau where some of the purchasers of our properties reside. According to CEIC Data Company Limited, from 2002 to 2011, China's GDP increased at a compound annual growth rate ("CAGR") of approximately 16.4%. The global economic slowdown and turmoil in the global financial markets starting in the second half of 2008, however, have had a negative impact on the PRC economy, which in turn affected the PRC property market and our financial performance. The PRC property market has shown signs of recovery in the second, third and fourth quarters of 2009 in large part due to stimulus measures adopted by the PRC government. Since late 2009, the PRC government has adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. In 2010 and 2011, the

PRC government further adopted certain new policies to cool down the real estate market. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. Since the second half of 2014, the central and local governments have implemented measures to support the demand of residential properties and to promote the sustainable development of the real estate market. For instance, many local governments have issued measures to lift the restrictions on the purchase of residential properties. In September 2014, the PBOC and CBRC jointly issued a circular which provides that (1) the minimum mortgage loan interest rate for first time purchasers of residential property is 70% of the benchmark lending interest rate; (2) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential properties; and (3) in cities that have lifted restrictions on the purchase of residential properties by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the household that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by SAT and MOF, effective from March 31, 2015, a business tax is levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost. On February 1, 2016, the PBOC and the CBRC issued a notice that mandates a minimum down payment of 25% and permits local policies to decrease 5% from that, and for a household that owns a residential property and has not paid off its existing mortgage loan, the minimum down payment will be 30%. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. Changes in market conditions historically have had a significant impact on our results of operations. We believe our financial performance will continue to be affected by such market volatility in the future.

Regulatory Environment

PRC government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. From the fourth quarter of 2009, the PRC government has adjusted measures and adopted further restrictive policies to curtail the overheating of the real estate market. These policies include abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties, increasing the down payment for mortgage loans, imposing more stringent requirements on the payment of land premiums, launching a property tax scheme, imposing restrictions on purchasing residential properties in an expanding list of cities and increasing benchmark interest rates and the bank reserve requirement ratio. The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. We have had to adapt our operations to these austerity measures. We adopted various sales tactics to increase sales in different projects, such as offering discounts in property prices. We also adjusted the construction schedules of our projects and made the decision in December 2011 to temporarily suspend land purchase, until February 2012. Furthermore, the governments of Beijing and Guangzhou have adopted additional restrictive policies to curb property price increases. On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. Many cities in the PRC have already promulgated measures to restrict the number of residential properties a household is allowed to purchase. In order to implement the central government's requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. However, in order to support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PRC government issued two notices in September 2014 and in March 2015, which decreased the requirement of the minimum down payment and the floor loan interest rate for a household to buy another residential property to improve its living conditions, 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. Since the start of 2017, the government continued to maintain strict sales and loan restrictions targeted at buyers in cities that saw rapid growth. Any such measures could have a material adverse effect on our business, financial condition or results of operations. PRC regulatory measures in the property industry will continue to impact our business and results of operations.

In addition, the PRC government may adopt additional or more stringent policies, regulations and measures in the future with respect to China's real estate industry. In the future, the PRC government may also impose a nationwide real estate tax. Since we do not know when or whether such tax reforms will take place or what their impact will be on our business operations and financial results, such as generating additional costs for us, these policy changes may adversely affect our business, financial condition or results of operations. See "*— Ability to Acquire Land Use Rights*" and "*— PRC Regulations on Financing*" below and "*Risk Factors — Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.*"

Ability to Acquire Land Use Rights

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability and costs of acquiring land use rights. Most of the land used in our projects or property developments during 2016, 2017 and 2018 and the first half of 2018, whether completed, under development or held for future development, was acquired after the promulgation in 2002 of the PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale by the Ministry of Land and Resources (the "Land Acquisition Rules").

The Land Acquisition Rules require that land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may only be granted by the government through competitive processes, including public or private tender, auction or listing-for-sale (each a "Bidding Process"). See "*Business — Land Acquisition*" *for a description of the land acquisition procedures.*" As a result of these regulations, when we acquire land through a Bidding Process, our cost of land use rights will comprise primarily the purchase price, payable in one lump sum payment or in installments to the government or other transferors as determined in the Bidding Process. Pursuant to the Land Acquisition Rules, the relevant government authority is responsible for establishing a price floor for the Bidding Process on the basis of land value appraisals and government industrial policies. When we acquire land use rights from non-government grantees in secondary markets transactions, the purchase price is determined by direct negotiation with such grantees.

As a result of these regulations and increased competition, our costs of acquiring new land use rights have increased and are expected to continue to increase. 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. If we are unable to maintain our relatively low land cost base and fail to pass the increased costs to our customers, our business, results of operations and financial condition may be materially and adversely affected. See "*Business — Land Acquisition.*"

Price Volatility of Construction Materials and Increasing Labor Cost

Our results of operations are affected by price volatility of construction materials such as steel and cement. While many of the construction materials we use for our property development are procured by our construction contractors, the contractor fees are generally adjustable on a quarterly basis in light of fluctuations in market prices for construction materials. We are exposed to price volatility of construction materials to the extent that we may not be able to pass the increased costs on to our customers. See "*Risk Factors — Risks Relating to Our Business — Our profit margin is sensitive to fluctuations in the cost of construction materials and land.*" Further, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. In addition, with the overall improvement of living standards in the PRC as well as the PRC government's recent policies aiming to increase wages of migrant workers, we expect the trend of increasing labor costs to continue in the near future, which in turn will increase our operating costs.

PRC Regulations on Financing

PRC interest rate policies and regulations on financing may affect our ability to finance our property development, as well as the cost of doing so. In addition, PRC interest rate policies and regulations related to mortgage financing by purchasers may affect the demand for our products.

We finance our property development primarily through internal funds, borrowings and proceeds from sales and pre-sales of properties. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our outstanding borrowings, were RMB43,995.9 million, RMB61,675.2 million, RMB88,529.4 million (US$12,895.8 million) and RMB93,566.7 million (US$13,629.5 million), respectively. Any increase of benchmark lending rates published by the PBOC may result in an increase in our interest costs, as most of our domestic bank borrowings bear floating interest rates linked to the PBOC-published benchmark rates. We are also highly susceptible to any regulations or measures adopted by the PRC government that may restrict bank lending to business enterprises, particularly, to property developers. See "*Risks Relating to Our Business — We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations.*"

Moreover, a substantial portion of our customers depends on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may dampen market demand for our properties and adversely affect our sales revenue.

Changes in Product Mix

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time and our project launches according to our development plans.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, significant time is required for property developments, and it may take many months or possibly years before pre-sales of certain property developments occur. Moreover, while the pre-sale of a property generates positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes, and no sales revenue is recognized in respect of such property until the relevant property is delivered to the purchaser. In addition, as market demand is not stable, sales revenue in a particular period can also depend on our ability to gouge market demand and time our property development and selling efforts accordingly. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Joint Venture Arrangements

Historically, we have developed our property projects principally through our wholly owned subsidiaries. However, in recent years, we began to develop a number of projects through joint venture arrangements with independent third parties, such as real estate funds. We have also established joint ventures with other property developers to jointly develop certain property developments. See "*Business — Joint Ventures.*" We believe that participation in joint ventures allows us to engage with third parties who may have greater capital, better brand recognition, more resources, desirable land, better expertise and access to specific markets than we do, and that such strengths can be utilized for the benefit of our operations. Such joint venture arrangements may include: sales of equity interests in our subsidiaries to financial investors; loans to potential joint venture partners who are in the preliminary stages of development; contributions of our rights to develop land and operating expertise in exchange for financing from the joint venture partner; and acquire and develop land or property projects jointly with other property developers. These types of joint venture arrangements have had and are likely to continue to have an impact on our business, financial condition and results of operations.

Sales of equity interest enable us to realize gains in the value of our property projects while they are still in their development stage and also to raise capital which we can use for other acquisitions and property development. In addition, we may receive pro rata contributions from our joint venture partners with respect to the development of the project. Partial disposals of our project companies may have a significant impact on our income statements.

Our joint venture arrangements may result in cash outflows and expose us to the potential credit risk of the joint venture partners. We may also suffer reputational damage or financial loss and be involved in operational disputes as a result of the actions of our joint venture partners. See "*Risk Factors — Risks Relating to Our Business.*"

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements under the historical cost convention in accordance with HKFRS, as modified by the revaluation of derivative financial instruments at fair value through profit or loss and investment properties, which are carried at fair value. HKFRS requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities at the end of each fiscal year, and (ii) the reported amounts of income and expenses during each fiscal year. We continually evaluate these estimates based on our past experience, knowledge and assessment of our 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. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial statements.

Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held by hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgment and estimates.

As of June 30, 2019, we recorded a provision for impairment of RMB781.7 million (US$113.9 million) for completed properties held for sale and a provision for impairment of RMB1,684.5 million (US$245.4 million) for properties under development and no other impairment was provided for long-term assets held for hotel operation.

Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalized its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgment is required in determining the amount of land appreciation and its related taxes payable. The Group recognizes these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

As of June 30, 2019, our LAT payable amounted to RMB13,628.4 million (US$1,985.2 million).

Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

As of June 30, 2019, the deferred income tax assets, deferred income tax liabilities and PRC corporate income tax payable amounted to RMB994.3 million (US$144.8 million), RMB3,339.3 million (US$486.4 million), RMB2,245.8 million (US$327.1 million), respectively.

Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Fair values of completed commercial properties are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

As of June 30, 2019, the fair value of the investment properties amounted to RMB8,434.8 million (US$1,228.7 million).

Recoverability of trade receivables

Our management assesses the recoverability of trade 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 trade receivable and the impairment charge in the period in which such estimate has been changed.

As of June 30, 2019, approximately RMB53.8 million (US$7.8 million) trade receivables are fully impaired.

CERTAIN INCOME STATEMENT ITEMS

Sales

Our sales revenue consists principally of proceeds from sales of properties and provision of services, after the elimination of our intra-group transactions. Our sales revenue comprises revenues generated from the segments of property development, property management, hotel operations, property investment and environmental protection.

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

	Year ended December 31,							Six months ended June 30,				
	2016		2017		2018			2018		2019		
	RMB	%	RMB	%	RMB	%	US$ (unaudited)	RMB (unaudited)	%	RMB (unaudited)	%	US$ (unaudited)
	(in thousands, except percentages)											
Property development..	44,751,782	95.9	49,261,750	95.5	52,487,664	93.5	7,645,690	22,552,110	93.2	24,685,054	91.0	3,595,784
Property management..	1,068,536	2.3	1,290,148	2.5	2,132,813	3.8	310,679	917,805	3.8	1,504,621	5.5	219,173
Hotel operations.	669,983	1.4	683,939	1.3	721,667	1.3	105,123	361,946	1.5	352,862	1.3	51,400
Property investment..	188,564	0.4	166,502	0.3	189,045	0.3	27,538	93,232	0.4	97,810	0.4	14,248
Environmental protection	—	—	204,720	0.4	613,737	1.1	89,401	280,687	1.1	474,078	1.7	69,057
Total.	46,678,865	100.0	51,607,059	100.0	56,144,926	100.0	8,178,431	24,205,780	100.0	27,114,425	100	3,949,661

Revenues from property development consist of proceeds from sales of our properties. Because we derive substantially all of our sales revenue from the property development segment, our results of operations for a given period are dependent upon the GFA of properties we have available for sale during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions of the property markets in which we operate change from period to period and are affected significantly by the general economic, political and regulatory environment in the PRC as well as in the cities and regions where our property developments are located. See "*— Factors Affecting Our Performance.*"

We recognize revenues when or as the control of the asset is transferred to the purchaser. For 2016, 2017 and 2018 and the first half of 2019, we recognized revenues for property development of RMB44,751.8 million, RMB49,261.8 million, RMB52,487.7 million (US$7,645.7 million) and RMB24,685.1 million (US$3,595.8 million) in connection with the delivery of an aggregate GFA of 5.08 million sq.m., 4.73 million sq.m., 4.68 million sq.m. and 1.92 million sq.m., respectively, representing an average realized selling price per sq.m. (calculated by dividing the revenue from the property developments by the aggregate GFA sold) of approximately RMB8,808, RMB10,424, RMB11,206 (US$1,632.3) and RMB12,836 (US$1,869.8), respectively.

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development, after satisfying the conditions for pre-sales according to PRC laws and regulations. See "*Business — Pre-sales.*" There is a time difference, typically ranging from six to 24 months, between the time we commence pre-selling properties under development and the completion of the development. We do not recognize any revenue from the pre-sales of our properties until the relevant properties are delivered to the purchasers, even though we receive payments at various stages prior to delivery. Before the delivery of a pre-sold property upon the completion of development, payments received from our customers are recorded as current liabilities under "Advanced proceeds received from customers" and "Contract liabilities" on our balance sheet and reflected in the cash flow statements as part of the increase in trade and other payables. As our revenues from sales of properties are recognized upon delivery of properties, the timing of delivery of properties may not only affect the amount and growth rate of our sales revenue, but also cause the amounts of "Trade and other payables" to fluctuate from year to year. See notes 27, 29 and 28 to our audited consolidated financial statements as of and for the years ended December 31, 2016, 2017 and 2018 and notes 23 to our reviewed interim financial information as of and for the six months ended June 30, 2019, respectively.

	Year ended December 31,				Six months ended June 30,	
	2016	2017	2018		2019	
	RMB	RMB	RMB	US$	RMB	US$
					(unaudited)	
Average selling price per sq.m. for properties sold						
Southern China Region	8,358	8,865	9,120	1,328	12,360	1,800
Western China Region	6,663	7,627	8,447	1,230	7,553	1,100
Eastern China Region	9,230	10,974	11,038	1,608	14,027	2,043
Hainan & Yunnan Region	11,674	16,278	20,522	2,989	14,466	2,107
Other Regions	5,588	5,041	8,333	1,214	12,397	1,806
Overseas	—	—	15,340	2,235	15,986	2,329
Combined	8,808	10,424	11,206	1,632	12,836	1,870

Average selling prices for our low-density units are generally higher than those for apartment units, and average selling prices for our higher-end apartment units are generally higher than those for our mid-range apartment units. Our product mix varies from period to period due to a number of reasons including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. See "— *Factors Affecting Our Performance — Changes in product mix.*"

Revenues from our property management segment are recognized in the year in which the services are provided. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we recognized revenue for property management of RMB1,068.5 million, RMB1,290.1 million, RMB2,132.8 million (US$310.7 million) and RMB1,504.6 million (US$219.2 million), respectively, and our property management companies experienced a net gain of RMB303.9 million, RMB398.4 million, RMB1,076.2 million (US$156.8 million) and RMB591.8 million (US$86.2 million), respectively, over the same periods.

We continued to operate our hotel business to diversify our business portfolio and generate a stable and recurring revenue stream for us. In 2017, our hotel operations segment recorded a revenue of approximately RMB683.9 million, representing an increase of 2.1% as compared to 2016. In 2018, our hotel operations segment recorded a revenue of RMB721.7 million (US$105.1 million), representing an increase of 5.5% as compared to the corresponding period of 2017. For the first half of 2019, our hotel operations segment recorded a revenue of RMB352.9 million (US$51.4 million), representing a decrease of 2.5% as compared to the corresponding period of 2018.

We designated certain properties, primarily consisting of shopping malls and office buildings, as a segment of property investment in our consolidated financial statements and interim financial information. Revenue generated from property investment for 2016, 2017 and 2018 and the first half of 2019 were RMB188.6 million and RMB166.5 million, RMB189.0 million (US$27.5 million) and RMB97.8 million (US$14.2 million), respectively.

We continued to grow our environmental protection business. Revenues from environmental protection is recognized in the year in which the services are rendered. For 2018 and the first half of 2019, revenue generated from environmental protection segment were RMB613.7 million (US$89.4 million) and RMB474.1 million (US$69.1 million), respectively.

Cost of Sales

Cost of sales represents primarily the costs we incur directly for our property development activities, principally, cost of properties sold, which includes construction costs, cost of land use rights, business taxes and interest capitalized. Our cost of sales also includes costs we incur directly for our property management activities.

	Year ended December 31,							Six months ended June 30,				
	2016		2017		2018			2018		2019		
	RMB	%	RMB	%	RMB	%	US$ (unaudited)	RMB (unaudited)	%	RMB (unaudited)	%	US$ (unaudited)
	(in thousands, except percentages)											
Construction costs	20,271,817	62.7	18,613,493	64.4	18,302,943	62.4	2,666,124	7,753,538	71.5	10,068,659	58.1	1,466,666
Land use rights	8,336,460	25.8	6,872,308	23.8	7,432,057	25.3	1,082,601	1,712,670	15.8	4,996,806	28.8	727,867
Business taxes	1,093,927	3.4	371,842	1.3	335,117	1.1	48,815	199,671	1.8	98,122	0.6	14,293
Interest capitalized	2,645,141	8.1	3,029,137	10.5	3,270,781	11.1	476,443	1,177,508	10.9	2,174,522	12.5	316,755
Total	32,347,345	100.0	28,886,780	100.0	29,340,898	100.0	4,273,984	10,843,387	100.0	17,338,109	100.0	2,525,580

We recognize the cost of sales of our properties for a given period to the extent that revenues from such properties have been recognized in such period. Prior to their completion and delivery, properties under development are included in our balance sheet at the lower of cost and net realizable value. Cost for properties under development comprises construction costs, borrowing costs and professional fees incurred during the development period.

Construction Costs. Construction costs include all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings and related infrastructure. Historically, construction material and labor costs have been a major cause of the fluctuations in our construction costs. See "*— Factors Affecting Our Performance — Price volatility of construction materials and increasing labor cost.*"

Further, price movements of other supplies used in property developments, including construction equipment and tools, ventilation systems, plant watering systems, elevators and interior decoration materials, may also increase our construction costs. Costs associated with foundation/substructure design and construction are another major component of our construction costs and vary not only depending on the location and height of the building but also on the geological conditions of the site. The foundation/substructure designs and construction process for developments in different localities and the respective costs incurred may vary significantly. Therefore, construction costs of a property development may be higher if the conditions of the site require more complex designs and procedures or more expensive materials in order to provide the desired foundation support.

Costs of Land Use Rights. Costs of land use rights include costs relating to acquisition of the rights to occupy, use and develop land, including land premium, land-related taxes and government surcharges. In general, we do not pay the demolition and resettlement cost which primarily includes the compensation paid to relocated residents and the expenses to clean up the site. Our costs of land use rights are influenced by a number of factors, including location, timing of the acquisition as well as plot ratios. Costs of land use rights are also affected by PRC regulations. See "*— Factors Affecting our Performance — Ability to acquire land use rights.*"

Business Tax and Value Added Tax. Our PRC subsidiaries are subject to valued added tax. The current business tax rate for each of our property development, property management and hotel operations businesses is around 9%, 6% and 6%.

Capitalized Interest. We capitalize a portion of our costs of borrowing to the extent that such costs are directly attributable to the construction of a project. In general, we capitalize borrowing costs incurred from the commencement of development of a project until the completion of construction. Borrowing costs incurred after the completion of construction are not capitalized, but are instead accounted for in our income statement as finance costs in the period in which they are incurred.

Fair Value Gains on Investment Properties

We designated certain properties, primarily consisting of shopping malls and office buildings, as properties held for long-term rental yields or for capital appreciation or both. To reflect this change in our strategy, we started to designate property investment as a new segment in our consolidated financial statements in 2011. Our investment properties are initially recognized at cost and are carried at fair value at each balance sheet date based on open market value determined at each reporting date by external valuer. We recognize changes in the fair value of these investment properties in our consolidate income statement. In 2017, we recorded fair value gains on investment properties of approximately RMB4.4 million, which represents a decrease of 89.8% from 2016. In 2018, we recorded fair value gains on investment properties of RMB1,952.4 million (US$284.4 million), which represents an increase of 44,515.1% from 2017. In the first half of 2019, we recorded fair value gains on investment properties of RMB1.9 million (US$0.3 million), which represents a decrease of 91.4% from the corresponding period of 2018.

Other Income

Other income comprises income derived in relation to interest income, forfeited deposits from customers as a result of failure to complete purchases and miscellaneous income.

Selling and Marketing Costs

Selling and marketing costs include advertising and promotion expenses in connection with the sales of properties (including advertisements on television and in newspapers, magazines, on billboards, promotional offers made directly to our customers and certain other promotional events), selling and marketing staff costs and other selling expenses. Our selling and marketing costs in any year are affected by the proportion of newly-introduced developments in that year, as well as the degree to which our marketing and branding has penetrated the markets in which we are selling properties. The initial selling and marketing costs for a project are generally higher than the selling and marketing costs for the project's later phases as the project becomes more recognized in the community. We also incur additional selling and marketing costs when we enter into a new market, as part of our efforts to promote our brand name in that market.

Administrative Expenses

Administrative expenses include primarily administrative staff costs, operating leases charges, amortization of land use rights and depreciation.

Share of Post-Tax Profit/(Losses) of Associates

In 2016, we recorded a share of post-tax losses of our associates in the amount of approximately RMB3.4 million. In 2017, we recorded a share of post-tax profit of our associates of RMB86.0 million, representing our proportional equity interest holding in the entity. In 2018, we recorded a share of post-tax profit of our associates of RMB22.3 million (US$3.2 million). In the first half of 2019, we recorded a share of post-tax losses of our associates of RMB 10.2 million (US$1.5 million).

Finance Costs, net

Finance costs, net consist primarily of interest expenses less capitalized interest, exchange gains or losses on foreign currency-denominated borrowings and changes in fair value of derivative financial instruments. We capitalize a portion of our costs of borrowings to property under development to the extent that such costs are directly attributable to the construction activities. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on our borrowings. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the interest costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization.

Income Tax Expenses

Income tax expenses consist of PRC corporate income tax, accrued by our operating subsidiaries, Hong Kong profits tax, LAT and withholding income tax. Because we operate as an overseas exempted company for Cayman Islands regulatory purposes, we are not subject to Cayman Islands income tax.

PRC Corporate Income Tax. Our PRC subsidiaries were subject to PRC corporate income tax of 33% prior to January 1, 2008 (consisting of 30% income tax for foreign-invested enterprises and 3% local income tax). Effective from January 1, 2008, this has been reduced to 25% pursuant to the CIT Law which adopts a uniform income tax rate of 25% on the taxable income of both domestic enterprises and foreign investment enterprises. Under the CIT Law, the corporate income tax rate applicable to certain of our group companies established and operating in Hainan Special Economic Zone before March 16, 2007 will be gradually increased from 15% to 25% in a five-year transitional period starting from January 1, 2008.

Since January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding income 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. We have established a number of subsidiaries in Hong Kong, to which our principal BVI subsidiaries transferred their interests in our PRC subsidiaries. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident that directly holds a 25% (or more) interest in the PRC enterprise and certain other requirements are met, such withholding income tax rate may be lowered to 5%.

In 2016, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfilled the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied and a total amount of RMB148.4 million withholding income tax were returned to the Company. In 2018 and the first half of 2019, withholding income tax charged to our income expenses was RMB260.6 million (US$38.0 million) and RMB140.2 million (US$20.4 million), respectively.

Overseas Income Tax. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Our entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same Act on January 1, 2007 and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong Profits Tax. No Hong Kong profits tax was provided for in 2016 as there was no assessable profit derived from Hong Kong for the years. In 2018 and the first half of 2019, except for the fair value gains and the disposal gain of financial assets at fair value through profits or loss, no other provision for Hong Kong profits tax has been made. The remaining profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

LAT. Under PRC laws and regulations, our PRC subsidiaries engaging in property development business are subject to LAT determined by the local tax authorities in the cities in which each project is located. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property's plot ratio, aggregate GFA and selling price. Sales of low-density units and retail shops generally realize higher appreciation values, and are subject to higher LAT rates, compared to less expensive properties. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but are required to pay only a portion of such provisions each year pursuant to tax regulations. We cannot assure you that our LAT provisions are sufficient to cover our LAT obligations or that the tax authorities will agree with the basis on which we calculate our LAT obligations. See "*Risk Factors — Risks Relating to Our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our LAT or other tax obligations and increase the LAT prepayment rate*" and "*— Critical Accounting Policies — Land appreciation taxes*" above.

For 2016, 2017 and 2018 and the first half of 2019, LAT charged to our income tax expenses was RMB2,609.9 million, RMB5,289.8 million, RMB6,838.1 million (US$996.1 million) and RMB1,322.3 million (US$192.6 million), respectively. For 2016, 2017 and 2018 and the first half of 2019, we made payments for provisional LAT in the amount of RMB3,628.0 million, RMB2,724.6 million, RMB2,620.5 million (US$381.7 million) and RMB1,738.1 million (US$253.2 million), respectively. Our LAT provision balance as of December 31, 2016, 2017 and 2018 and the first half of 2019 totaled RMB7,261.4 million, RMB9,826.6 million, RMB14,044.2 million (US$2,045.8 million) and RMB13,628.4 million (US$1,985.2 million), respectively.

As our operations continue to expand, we will also be subject to LAT as implemented by the local tax authorities in the new markets, and we cannot assure you that the LAT obligations we assess and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Non-controlling Interests

Non-controlling interests represent our profit or loss after taxation that is attributable to minority shareholders of our non-wholly owned subsidiaries.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items derived from our consolidated income statements as a percentage of total sales revenue.

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	%	%	%	%	%
Revenue	100.0	100.0	100.0	100.0	100.0
Cost of sales	(73.5)	(59.9)	(56.1)	(50.4)	(69.7)
Gross Profit	26.5	40.1	43.9	49.6	30.3
Selling and marketing costs	(4.5)	(4.4)	(4.1)	(4.3)	(3.5)
Administrative expenses	(3.1)	(4.0)	(5.2)	(4.2)	(5.1)
Fair value gains on investment properties[1]	0.1	—	—	—	—
Net impairment (losses)/reversal on financial and contract assets	—	—	(0.2)	(0.1)	(0.2)
Other gains/(losses), net	(0.7)	0.1	3.5	1.3	17.4
Other income	0.6	1.1	1.9	1.5	2.1
Other expenses	(0.4)	(0.8)	(0.5)	(0.2)	(0.5)
Operating profit	18.4	32.2	39.4	43.7	40.5
Finance costs, net	(2.4)	(1.7)	(4.9)	(3.5)	(3.4)
Share of post-tax profits/(losses) of associates	(0.0)	0.2	0.0	0.2	(0.0)
Share of post-tax profits/(losses) of joint ventures	0.0	0.2	0.0	(0.4)	0.6
Profit before income tax	16.0	30.7	34.6	39.9	37.6
Income tax expenses	(9.5)	(17.6)	(19.7)	(22.3)	(15.9)
Profit for the year/period	6.5	13.1	14.9	17.7	21.7

Note:

(1) In 2017 and 2018 and the first half of 2019, fair value gains on investment properties was included in other gain/(losses), net.

First half of 2019 compared to first half of 2018

Revenue. Our revenue increased by 12.0% to RMB27,114.4 million (US$3,949.7 million) in the first half of 2019 from RMB24,205.8 million in the first half of 2018, for the following reasons:

- **Property Development.** Revenue generated from our property development increased by 9.5% to RMB24,685.1 million (US$3,595.8 million) in the first half of 2019 from RMB22,552.1 million in the first half of 2018. This was mainly attributable to an increase in recognized GFA and higher recognized average selling prices.

- **Property Management.** Revenue generated from our property management operations increased by 63.9% to RMB1,504.6 million (US$219.2 million) in the first half of 2019 from RMB917.8 million in the first half of 2018, primarily due to an increase in total contracted GFA under management to 211.2 million sq.m from 109.1 million in the same period in 2018.

- **Hotel Operations.** Revenue generated from our hotel operations decreased by 2.5% to RMB352.9 million (US$51.4 million) in the first half of 2019 from RMB361.9 million in the first half of 2018. This was mainly attributable to the revenue generated from Shanghai Marriott Hotel City Centre, Raffles Hainan, Sheraton Bailuhu Resort Huizhou and Howard Johnson Agile Plaza Chengdu.

- **Property Investment.** Revenue generated from our property investment increased by 4.9% to RMB97.8 million (US$14.2 million) in the first half of 2019 from RMB93.2 million in the first half of 2018, mainly due to the increase of rental income.

- **Environmental Protection.** Revenue generated from our environmental protection increased by 68.9% to RMB474.1 million (US$69.1 million) in the first half of 2019 from RMB280.7 million in the first half of 2018, mainly attributable to increased number of new hazardous waste treatment projects.

Cost of Sales. Cost of sales increased by 55.0% to RMB18,894.4 million (US$2,752.3 million) in the first half of 2019 from RMB12,187.9 million in the first half of 2018, primarily due to the increase of land cost and construction cost, as well as the increase in the total recognized GFA sold of 5.7% to 1.9 million sq.m.

Gross Profit. Gross profit decreased by 31.6% to RMB8,220.0 million (US$1,197.4 million) in the first half of 2019 from RMB12,017.9 million in the first half of 2018. Our gross profit margin decreased to 30.3% in the first half of 2019 from 49.6% in the first half of 2018, primarily due to a decrease in the proportional of revenue recognized from our high-margin projects as a result of enhanced regulations on real estate industry which affected several cities where our projects located in.

Selling and Marketing Costs. Our selling and marketing costs decreased by 7.0% to RMB958.8 million (US$139.7 million) in the first half of 2019 from RMB1,030.8 million in the first half of 2018, primarily due to the significant decrease in the sales of projects with higher commissions.

Administrative Expenses. Administrative expenses increased by 36.6% to RMB1,390.5 million (US$202.5 million) in the first half of 2019 from RMB1,018.0 million in the first half of 2018, primarily due to the increase in the number of employees resulting from business expansion of the Group.

Other Gains/(Losses), net. In the first half of 2019, we recorded net other gains of RMB4,722.0 million (US$687.8 million), as compared to net other gains of RMB314.3 million in the first half of 2018. The increase was mainly due to gains from disposal of a subsidiary, remeasurement gains resulting from a joint venture transferred to a subsidiary and fair value gain on financial assets at fair value through profit or loss.

Other Income. Other income increased by 54.8% to RMB577.4 million (US$84.1 million) in the first half of 2019 from RMB372.9 million in the first half of 2018, which was mainly attributable to the increased interest income from bank deposits.

Other Expenses. Other expenses increased by 149.4% to RMB134.7 million (US$19.6 million) in the first half of 2019 from RMB54.0 million in the first half of 2018, primarily due to increase of our charitable donations.

Finance (Costs)/Income, net. We recorded net finance costs of RMB925.6 million (US$134.8 million) in the first half of 2019, representing an increase of 8.5% as compared to net finance costs of RMB853.3 million in the first half of 2018, primarily due to non-capitalized interest expense of RMB1,002.2 million (US$146.0 million).

Share of Post-Tax Profits/(Losses) of Associates. In the first half of 2019, our share of post-tax losses gains of associates was RMB10.2 million (US$1.5 million), as compared to share of post-tax profits of associate of RMB48.4 million in the first half of 2018.

Share of Post-Tax Profits/(Losses) of Joint Ventures. We recorded a share of post-tax profits of joint ventures of RMB160.5 million (US$23.4 million) in the first half of 2019, as compared to a share of post-tax losses of joint ventures of RMB99.2 million in the first half of 2018.

Income Tax Expenses. Income tax expenses for the year comprised of PRC EIT, LAT and withholding income tax. Our income tax expenses decreased by 20.1% to RMB4,307.6 million (US$627.5 million) in the first half of 2019 from RMB5,389.3 million in the first half of 2018.

Profit for the period. As a result of the foregoing, our profit for the period increased by 37.7% to RMB5,893.7 million (US$858.5 million) in the first half of 2019 from RMB4,280.3 million in the first half of 2018.

2018 compared to 2017

Revenue. Our revenue increased by 8.8% to RMB56,144.9 million (US$8,178.4 million) in 2018 from RMB51,607.1 million in 2017, for the following reasons:

- **Property Development.** Revenue generated from our property development increased by 6.5% to RMB52,487.7 million (US$7,645.7 million) in 2018 from RMB49,261.8 million in 2017. This was mainly due to higher recognized average selling prices.

- **Property Management.** Revenue generated from our property management operations increased by 65.3% to RMB2,132.8 million (US$310.7 million) in 2018 from RMB1,290.1 million in 2017, primarily due to an increase in the total GFA under management to 138.1 million sq.m.

- **Hotel Operations.** Revenue generated from our hotel operations increased by 5.5% to RMB721.7 million (US$105.1 million) in 2018 from RMB683.9 million in 2017. This was mainly attributable to revenue generated from Shanghai Marriott Hotel City Centre, Raffles Hainan, Holiday Inn Resort Hainan Clearwater Bay, Sheraton Bailuhu Resort Huizhou Hotel and Howard Johnson Agile Plaza Chengdu.

- **Property Investment.** Revenue generated from property investment increased by 13.5% to RMB189.0 million (US$27.5 million) in 2018 from RMB166.5 million in 2017, mainly due to the increase in the unit rental rate and occupancy rate for the year.

- **Environmental Protection.** Revenue generated from environmental protection increased by 199.8% to RMB613.7 million (US$89.4 million) in 2018 from RMB204.7 million in 2017. This was mainly attributable to increased number of new hazardous waste treatment projects and faster growth of water treatment capacity in 2018.

Cost of Sales. Cost of sales increased by 1.8% to RMB31,471.0 million (US$4,584.3 million) in 2018 from RMB30,919.6 million in 2017, primarily due to the increase in recognized sales.

Gross Profit. Gross profit increased by 19.3% to RMB24,673.9 million (US$3,594.2 million) in 2018 from RMB20,687.5 million in 2017. Our gross profit margin increased to 43.9% in 2018 from 40.1% in 2017, primarily due to higher recognized average selling price of property sold and the increased weightings of projects with higher profitability.

Selling and Marketing Costs. Our selling and marketing costs increased by 2.6% to RMB2,318.0 million (US$337.7 million) in 2018 from RMB2,258.9 million in 2017, primarily due to the increase in advertising fee in relation to certain projects commenced pre-sale in 2018.

Administrative Expenses. Administrative expenses increased by 42.2% to RMB2,909.6 million (US$423.8 million) in 2018 from RMB2,045.5 million in 2017, primarily due to the increase in the number of employees resulting from business expansion of the Group.

Other Gains/(Losses), net. In 2018, we recorded net other gains of RMB1,986.3 million (US$289.3 million), as compared to net other gains of RMB40.0 million in 2017. The increase was mainly due to the increase in fair value gain of existing investment properties and a completed property held for sale transferred to investment properties.

Other Income. Other income increased by 82.3% to RMB1,040.0 million (US$151.5 million) in 2018 from RMB570.5 million in 2017, which was mainly attributable to the increased interest income from bank deposit and related parties and dividend income from financial assets at fair value through profit or loss.

Other Expenses. Other expenses decreased by 35.2% to RMB257.0 million (US$37.4 million) in 2018 from RMB396.6 million in 2017, primarily due to the absence of cost incurred by the early redemption of certain senior notes and asset-backed securities and the decrease of charitable donations.

Finance Costs, net. We recorded net finance costs of RMB2,744.4 million (US$399.8 million) in 2018, representing an increase of 205.4% as compared to net finance costs of RMB898.7 million in 2017, primarily due to the non-capitalized interest expenses and the non-capitalized exchange loss from foreign currency denominated borrowings.

Share of Post-Tax Profit/(Losses) of Associates. In 2018, our share of post-tax profit of associates was RMB22.3 million (US$3.2 million), as compared to share of post-tax profit of associate of RMB86.0 million in 2017.

Share of Post-Tax Profit/(Losses) of Joint Ventures. We recorded a share of post-tax profit of joint ventures of RMB4.8 million (US$0.7 million) in 2018, representing a decrease of 94.2%, as compared to a share of post-tax profit of joint ventures of RMB83.4 million in 2017.

Income Tax Expenses. Income tax expenses for the year comprised of PRC CIT, LAT and withholding income tax. Our income tax expenses increased by 21.5% to RMB11,043.3 million (US$1,608.6 million) in 2018 from RMB9,088.5 million in 2017.

Profit for the year. As a result of the foregoing, our profit for the year increased by 23.3% to RMB8,357.8 million (US$1,217.5 million) in 2018 from RMB6,780.3 million in 2017.

2017 Compared to 2016

Revenue. Our revenue increased by 10.6% to RMB51,607.1 million in 2017 from RMB46,678.9 million in 2016, for the following reasons:

- **Property Development.** Revenue generated from our property development increased by 10.1% to RMB49,261.8 million in 2017 from RMB44,751.8 million in 2016. This was mainly due to higher recognized average selling prices.

- **Property Management.** Revenue generated from our property management operations increased by 20.7% to RMB1,290.1 million in 2017 from RMB1,068.5 million in 2016, primarily due to an increase in the total contracted GFA under management to 78.34 million sq.m.

- **Hotel Operations.** Revenue generated from our hotel operations increased by 2.1% to RMB683.9 million in 2017 from RMB670.0 million in 2016. This was mainly because revenue generated from Shanghai Marriott Hotel City Centre, Raffles Hainan, Sheraton Bailuhu Resort Huizhou and Howard Johnson Agile Plaza Chengdu.

- **Property Investment.** Revenue generated from property investment decreased by 11.7% to RMB166.5 million in 2017 from RMB188.6 million in 2016, mainly due to the fact that certain properties were under renovation and were transferred to property, plant and equipment.

- **Others.** We recognized revenue generated from others of RMB204.7 million in 2017, mainly due to our newly organized business segments during the year.

Cost of Sales. Cost of sales decreased by 9.9% to RMB30,919.6 million in 2017 from RMB34,313.2 million in 2016, primarily due to the decrease in the total recognized GFA sold of 7% to 4.73 million sq.m.

Gross Profit. Gross profit increased by 67.3% to RMB20,687.5 million in 2017 from RMB12,365.7 million in 2016. Our gross profit margin increased to 40.1% in 2017 from 26.5% in 2016, primarily due to higher recognized average selling price of property sold and the increased weightings of projects with higher profitability.

Selling and Marketing Costs. Our selling and marketing costs increased by 7.7% to RMB2,258.9 million in 2017 from RMB2,098.0 million in 2016, primarily due to the increase in sales commission in line with the increase of property sales of the Group.

Administrative Expenses. Administrative expenses increased by 40.2% to RMB2,044.3 million in 2017 from RMB1,458.2 million in 2016, primarily due to the increase of employees resulting from business expansion of the Group.

Other Gains/(Losses), net. In 2017, we recorded net other gains of RMB40.0 million as compared to net other losses of RMB291.7 million in 2016. The other gains/(losses), net mentioned above included the fair value gains on financial assets and the net exchange loss incurred by translation of foreign currency denominated financial assets and liabilities (except borrowings) into RMB at the prevailing period-end exchange rate.

Other Income. Other income increased by 104.7% to RMB570.5 million in 2017 from RMB278.7 million in 2016, which was mainly attributable to the increased interest income from bank deposit and related parties.

Other Expenses. Other expenses increased by 102.5% to RMB396.6 million in 2017 from RMB195.9 million in 2016, primarily due to the cost incurred by the early redemption of certain senior notes and asset-backed securities of RMB151.0 million and the charitable donations of the RMB168.9 million.

Finance Costs, net. We recorded net finance costs of RMB898.7 million in 2017, representing a decrease of 20.1% as compared to net finance costs of RMB1,124.5 million in 2016, primarily due to the non-capitalized interest expenses of RMB1,263.3 million offset by the exchange gain from borrowings of RMB1,186.4 million and the change in fair value of derivative financial instruments of RMB821.8 million.

Share of Post-Tax Gains/(Losses) of Associates. In 2017, our share of post-tax gains of associates was RMB86.0 million, as compared to share of post-tax losses of associate of RMB3.4 million in 2016.

Share of Post-Tax Gains/(Losses) of Joint Ventures. We recorded a share of post-tax gains of joint ventures of RMB83.4 million in 2017, representing an increase of 697.7%, as compared to a share of post-tax gains of joint ventures of RMB10.5 million in 2016.

Income Tax Expenses. Income tax expenses for the year comprised of PRC CIT, LAT and withholding income tax. Our income tax expenses increased by 105.0% to RMB9,088.5 million in 2017 from RMB4,433.5 million in 2016.

Profit for the Year. As a result of the foregoing, our profit for the year increased by 122.3% to RMB6,780.3 million in 2017 from RMB3,049.6 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table presents selected cash flow data from our consolidated cash flow statements for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019.

	Year ended December 31,				Six Months ended June 30	
	2016	2017	2018		2019	
	RMB	RMB	RMB	US$ (Unaudited)	RMB	US$ (Unaudited)
	(in thousands)					
Operating profit before changes in working capital[(1)]	9,291,027	17,205,073	21,901,904	3,190,372	4,562,124	664,548
Change in working capital:						
Decrease/(increase) in working capital related to acquisition of land use rights[(2)]	(4,073,603)	3,851,546	1,612,784	234,928	(11,841,924)	(1,724,971)
Decrease/(increase) in working capital related to property under development and completed properties held for sale	9,032,755	(14,924,037)	(23,088,337)	(3,363,195)	(2,143,723)	(312,268)
Changes in other working capital components[(3)]	761,685	7,043,880	14,797,704	2,155,529	(6,665,482)	970,937
Cash generated from/(used in) operations	15,011,864	13,176,462	15,224,055	2,217,634	(2,758,041)	(401,754)
PRC income tax paid	(5,379,631)	(7,210,035)	(8,159,459)	(1,188,559)	(6,281,320)	(914,977)
Interest paid	(2,745,647)	(3,013,912)	(4,437,007)	(646,323)	(2,801,119)	(408,029)
Net cash (used in)/generated from operating activities	6,886,586	2,952,515	2,627,589	382,751	(11,840,480)	(1,724,760)
Net cash used in investing activities	(3,718,689)	(6,960,040)	(17,708,169)	(2,579,486)	5,116,740	745,337
Net cash generated from/(used in) financing activities	1,873,307	10,758,236	31,735,826	4,622,844	4,142,343	603,400
Cash and cash equivalents at year/ 30 June 2019 end	12,431,884	19,041,948	35,776,231	5,211,396	33,204,267	4,836,747

Notes:

(1) Represents profit for the year as adjusted for income tax expenses, interest income, net finance income or costs, depreciation, amortization of intangible assets and land use rights, losses/reverse of gains on disposal of investment properties and property, plant and equipment, write-down of completed properties held for sale and properties under development, net exchange gains or losses, share of post-tax profit or losses of associates, share of post-tax profit or losses of joint ventures, fair value gains on investment properties, fair value gains or losses through profit and loss and redemption cost.

(2) We recognize all cash used for the acquisition of land use rights as part of our cash flows from operating activities, and not as cash flows from investing activities.

(3) Represents changes in restricted cash, trade and other receivables, trade and other payable and accruals, advanced proceeds received from customers, contract assets and contract liabilities.

Cash Flows From Operating Activities

First half of 2019. Our net cash used in operating activities of RMB11,840.5 million (US$1,724.8 million) was attributable to cash used in operations of RMB2,758.0 million (US$401.7 million), PRC enterprise income tax paid of RMB6,281.3 million (US$915.0 million) and interest paid of RMB2,801.1 million (US$408.0 million). Operating profit before changes in working capital was RMB4,562.1 million (US$664.5 million). Changes in working capital contributed to a net cash outflow of RMB7,320.2 million (US$1,066.3 million), comprising primarily of an increase of prepayment for acquisition of land use right of RMB11,841.9 million (US$1,725.0 million) and an increase of trade and other receivables of RMB 2,883.7 million (US$ 420.1 million), partially offset by an increase of contract liability of RMB 7,324.3 million (US$ 1,066.9 million).

2018. Our net cash generated from operating activities of RMB2,627.6 million (US$382.8 million) was attributable to cash generated from operations of RMB15,224.1 million (US$2,217.6 million), offset by (i) PRC income tax paid of RMB8,159.5 million (US$1,188.6 million) and (ii) interest paid of RMB4,437.0 million (US$646.3 million). Operating profit before changes in working capital was RMB21,901.9 million (US$3,190.4 million). Changes in working capital contributed to a net cash outflow of RMB6,677.9 million (US$972.7 million), comprising primarily of an increase in property under development and completed properties held for sale of RMB23,088.3 million (US$3,363.2 million) and a decrease in advanced proceeds received from customers of RMB19,461.0 million (US$2,834.8 million), partially offset by an increase in contract liabilities of RMB25,489.6 million (US$3,713.0 million).

2017. Our net cash generated from operating activities of RMB2,952.5 million in 2017 was attributable to cash generated from operations of RMB13,176.5 million, offset by (i) PRC income tax paid of RMB7,210.0 million and (ii) interest paid of RMB3,013.9 million. Operating profit before changes in working capital was RMB17,205.1 million. Changes in working capital contributed to a net cash outflow of RMB4,028.6 million, comprising primarily of (i) an increase in trade and other receivables of RMB5,611.6 million and (ii) an increase in property under development and completed properties held for sale of RMB14,924.0 million, partially offset by an increase in advanced proceeds received from customers of RMB8,843.5 million.

2016. Our net cash generated from operating activities of RMB6,886.6 million in 2016 was attributable to cash generated from operations of RMB15,011.9 million, offset by (i) PRC income tax paid of RMB5,379.6 million and (ii) interest paid of RMB2,745.6 million. Operating profit before changes in working capital was RMB9,291.0 million. Changes in working capital contributed to a net cash inflow of RMB5,720.8 million, comprising primarily of a decrease in prepayments for acquisition of land use rights of RMB4,073.6 million, partially offset by (i) an increase in property under development and completed properties held for sale of RMB9,032.8 million and (ii) a decrease in advanced proceeds received from customers of RMB3,506.9 million.

Cash Flows Used In Investing Activities

First half of 2019. Our net cash generated from investing activities of RMB5,116.7 million (US$745.3 million) was mainly attributable to redemption of wealth management products of RMB28,136.6 million (US$4,098.6 million) and repayment of cash advances from joint ventures of RMB7,130.9 million (US$1,038.7 million), partially offset by purchase of wealth management products of RMB28,294.9 million (US$4,121.6 million).

2018. Our net cash used in investing activities of RMB17,708.2 million (US$2,579.5 million) was mainly attributable to purchase of wealth management products of RMB25,194.4 million (US$3,670.0 million) and cash advances made to related parties of RMB13,028.7 million (US$1,897.8 million), offset by redemption of wealth management products of RMB25,174.4 million (US$3,667.1 million).

2017. Our net cash used in investing activities of RMB6,960.0 million in 2017 was principally attributable to cash advances made to related parties of RMB3,860.5 million and purchase of wealth management products of RMB2,790.0 million, offset by redemption of wealth management products of RMB2,790.0 million.

2016. Our net cash used in investing activities of RMB3,718.7 million in 2016 was principally attributable to cash advances made to associates and joint ventures of RMB3,710.6 million in relation to joint development projects, offset by repayment of cash advances from joint ventures of RMB1,552.9 million.

Cash Flows From (Used In) Financing Activities

First half of 2019. We had net cash generated from financing activities of RMB4,142.3 million (US$603.4 million), primarily attributable to proceeds from bank borrowings and other borrowings of RMB25,726.7 million (US$3,747.5 million) and net proceeds from issuance of perpetual capital securities of RMB4,784.7 million (US$697.0 million), partially offset by repayments of bank borrowings and other borrowings of RMB21,939.8 million (US$3,195.9 million).

2018. We had net cash generated from financing activities of RMB31,735.8 million (US$4,622.8 million), primarily attributable to net proceeds from borrowings of RMB80,172.1 million (US$11,678.4 million), partially offset by repayments of borrowings of RMB55,383.3 million (US$8,067.5 million) and dividend paid to our shareholders of RMB3,916.3 million (US$570.5 million).

2017. We had net cash inflow generated from financing activities of RMB10,758.2 million in 2017, primarily attributable to proceeds from bank borrowings and other borrowings of RMB39,219.0 million, partially offset by repayments of bank borrowings and other borrowings of RMB15,023.9 million and redemption of senior notes of RMB10,266.5 million.

2016. We had net cash inflow from financing activities of RMB1,873.3 million in 2016, primarily attributable to net proceeds from borrowings of RMB25,277.8 million, and net proceeds from the issuance of corporate bonds of RMB8,723.0 million, partially offset by repayments of borrowings of RMB27,956.4 million and redemption of senior notes of RMB4,276.4 million.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cash flows can be generated. To date, we have funded our growth principally from internal funds, borrowings from both domestic and foreign banks, proceeds from sales of our developed properties and proceeds from our equity and debt offerings. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

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

Taking into account the estimated net proceeds of the Securities, available banking facilities and cash flows from our operations, we believe we have sufficient working capital for our near term business requirements and foreseeable debt repayment obligations.

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from our operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations, as well as the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt servicing, accounts payable and/or other liabilities when they become due and payable. See "*Risk Factors — Risks Relating to Our Business — We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations.*"

From time to time, we engage in intercompany loan transactions in order to provide funding for the acquisition or development of our projects. Some of these loans contain covenants that may restrict our ability to make intercompany loans to and receive intercompany loans from our borrower subsidiaries. See "*Description of Other Material Indebtedness.*"

Borrowings

Our borrowings as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, were as follows:

	As of December 31,				Six months ended June 30,	
	2016	2017	2018		2019	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
			(in thousands)			
Borrowings included in non-current liabilities:						
Senior notes:						
— 2012 Notes[1]	4,847,305	—	—	—	—	—
— 2014 USD Notes[2]	3,420,468	—	—	—	—	—
— 2014 RMB Notes[3]	1,985,130	—	—	—	—	—
— 2015 Notes[4][12]	3,422,665	3,230,937	3,404,973	495,990	3,414,989	497,449
— 2017 Notes[5][12]	—	1,283,972	1,353,991	197,231	1,358,893	197,945
— July 2018 Notes[6][12]	—	—	4,082,123	594,628	4,093,832	596,334
— November 2018 Notes[7][12]	—	—	2,710,393	394,813	2,723,286	396,691
— March 2019 Notes[14]	—	—	—	—	3,410,118	496,740
PRC corporate bonds[8]	8,739,290	11,753,036	8,556,251	1,246,358	8,564,851	1,247,611
Commercial Mortgage Backed Securities[9]	—	—	4,073,272	593,339	4,078,639	594,121
Asset-backed securities[10]	795,386	1,053,952	1,054,866	153,659	1,055,340	153,728
Long-term syndicated loans						
— secured[11]	2,275,000	5,586,375	16,569,611	2,413,636	16,261,451	2,368,747
— unsecured[12]	5,869,958	5,530,541	3,189,536	464,608	1,470,251	214,166
Long-term bank borrowings						
— secured[11]	7,060,388	15,673,475	19,355,402	2,819,432	21,966,571	3,199,792
— unsecured[12]	1,950,334	4,165,852	7,702,072	1,121,933	8,445,389	1,230,210
Other Borrowings[13]						
— secured	2,365,000	4,957,000	5,520,670	804,176	5,411,130	788,220
— unsecured[12]	—	1,001,250	1,002,295	146,001	981,250	142,935
Less: Current portion of non-current borrowings	(11,550,016)	(19,707,386)	(25,378,970)	(3,696,864)	(25,780,905)	3,755,412
	31,180,908	34,529,004	53,196,485	7,748,942	57,455,085	8,369,277
Borrowings included in current liabilities:						
Short-term bank borrowings						
— secured[11]	—	2,666,301	1,778,944	259,132	1,823,508	265,624
— unsecured[12]	1,265,000	—	1,196,538	174,295	1,466,565	213,629
Short-term other borrowings[13]						
— secured	—	2,100,000	5,974,120	870,229	6,340,681	923,624
— unsecured[12]	—	2,672,548	1,004,300	146,293	700,000	101,967
Current portion of non-current borrowings	11,550,016	19,707,386	25,378,970	3,696,864	25,780,905	3,755,412
	12,815,016	27,146,235	35,332,872	5,146,813	36,111,659	5,260,256
Total Borrowings	43,995,924	61,675,239	88,529,357	12,895,755	93,566,744	13,629,533

Notes:

(1) On March 20, 2012, we issued the US$700 million 2012 Notes. The 2012 Notes were repaid in full on March 20, 2017.

(2) On February 18, 2014, we issued the US$500 million 2014 USD Notes. The 2014 USD Notes were repaid in full on September 14, 2017.

(3) On February 28, 2014, we issued the RMB2,000 million 2014 RMB Notes. The 2014 RMB Notes were repaid in full on February 28, 2017.

(4) On May 21, 2015, we issued the US$500 million 2015 Notes. See "*Description of Other Material Indebtedness — 2015 Notes.*"

(5) On August 14, 2017, we issued the US$200 million 2017 Notes. See "*Description of Other Material Indebtedness — 2017 Notes.*"

(6) On July 18, 2018 and July 26, 2018, we issued the US$600 million July 2018 Notes. See "*Description of Other Material Indebtedness — July 2018 Notes.*"

(7) On November 23, 2018, we issued the US$400 million November 2018 Notes. See "*Description of Other Material Indebtedness — November 2018 Notes.*"

(8) On January 11, 2016, through a subsidiary, we issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. On January 14, 2019, we redeemed the bonds in an aggregate principal amount of RMB12,228,000 as the investors exercised the right to sell back. The remaining bonds will mature on January 11, 2021 at the coupon rate of 6.95%. See "*Description of Other Material Indebtedness — Domestics Corporate Bonds.*"

On April 29, 2016, through a subsidiary, we issued 5.8% non-public domestic corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,189,200,000. We fully redeemed the outstanding non-public corporate bonds on April 27, 2018.

On July 29, 2016, we issued 4.98% non-public domestic corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on July 29, 2020. We shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On July 30, 2018, we completed the repurchase and cancellation of bonds in an aggregate principal amount of RMB2,030,000,000. There is an aggregate principal amount of RMB970,000,000 outstanding. See "*Description of Other Material Indebtedness — Domestics Corporate Bonds.*"

On October 11, 2016, we issued 4.6% and 5.7% non-public domestic corporate bonds with an aggregate amount of RMB1,800,000,000 and RMB1,200,000,000 respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000 and RMB1,192,500,000, respectively. The bonds will mature on October 11, 2021 and October 11, 2023 respectively. We shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds. See "*Description of Other Material Indebtedness — Domestics Corporate Bonds.*"

On July 12, 2017, we issued 6.98% non-public domestic corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,976,735,000. The bonds will mature on July 12, 2020. We shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. See "*Description of Other Material Indebtedness — Domestics Corporate Bonds*."

(9) A PRC subsidiary of us engaged in commercial property operation entered into Commercial Mortgage Backed Securities ("CMBS") arrangement with an assets management company by pledging of the receivables for certain properties under its operation as well as the building, the land use right and the investment property. On April 10, 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000 (US$670,065,550), with a 18-year maturity, amongst which RMB500,000,000 (US$72,833,212) was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000.

(10) (i) *Property Management Asset-backed securities* A PRC subsidiary of us engaged in property management entered into Property management asset-backed securities ("PM ABS") arrangement with an assets management company by pledging of the future five years' right of receiving management fee for certain properties under its management. On February 26, 2016, the PM ABS was formally established with an aggregate nominal value of RMB1,100,000,000, with a five-year maturity, amongst which RMB100,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the PM ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB975,200,000. We redeemed all outstanding PM ABS on September 26, 2017.

(ii) *Panyu Asset-backed securities* A PRC subsidiary of us engaged in property development entered into Panyu asset-backed securities ("Panyu ABS") arrangement with an assets management company by pledging of the receivables for certain properties under its management. On September 1, 2017, the Panyu ABS was formally established with an aggregate nominal value of RMB1,111,500,000, with a three-year maturity, amongst which RMB55,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,053,653,000.

(11) As of June 30, 2019, the borrowings were secured by certain of our land use rights, self-used properties, trade and other receivables, completed properties held for sale, properties under development, investment properties and shares of subsidiaries and equity interest.

(12) As of June 30, 2019, the 2015 Notes, the 2017 Notes, the July 2018 Notes, the November 2018 Notes, the March 2019 Notes and the unsecured borrowings were jointly guaranteed by certain of our subsidiaries.

(13) As of June 30, 2019, the other borrowings of approximately RMB11,752 million (US$1,711.9 million) were secured by certain of our land use rights, self-used properties, completed properties held for sale, properties under development, investment properties and the shares of subsidiaries, cash and equity interests. See "*Description of Other Material Indebtedness.*"

(14) On March 7, 2019, we issued the US$500 million March 2019 Notes. See *"Description of Other Material Indebtedness — March 2019 Notes."*

The maturity of our borrowings included in non-current liabilities as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, was as follows:

	As of December 31,				Six months ended June 30,	
	2016	2017	2018		2019	
	RMB	RMB	RMB	US$ (unaudited)	RMB	US$ (unaudited)
			(in thousands)			
Between one and two years. . .	10,865,904	13,331,543	19,059,355	2,776,308	26,814,979	3,906,042
Between two and five years . .	15,620,004	15,597,739	28,047,755	4,085,616	24,237,605	3,530,605
Over five years	4,695,000	5,599,722	6,089,375	887,017	6,402,501	932,629
Total	31,180,908	34,529,004	53,196,485	7,748,942	57,455,085	8,369,277

Subsequent to June 30, 2019, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general working capital purposes. For a more detailed discussion of our material indebtedness, see "*Description of Other Material Indebtedness.*"

In the ordinary course of business, some of our joint ventures and associates also entered into certain financing arrangements to finance project development, in respect of which we provided guarantees. See "*— Contingent Liabilities.*" As of June 30, 2019, our guarantee in respect of borrowings of joint ventures and associates amounted to RMB6,078.2 million (US$885.4 million).

Restricted Cash

In accordance with local government rules, certain of our project companies are required to deposit certain amount of proceeds from pre-sales of properties into specific bank accounts as guarantees for the completion of construction. Before the completion of the pre-sold properties, such deposits may only be used, with the prior approval of the relevant local authorities, for the payments of construction materials, equipment, interim construction payments and taxes. As of December 31, 2016, 2017 and 2018 and June 30, 2019, such deposits amounted to approximately RMB9,378.7 million, RMB9,338.3 million and RMB7,328.6 million (US$1,067.5 million) and RMB6,969.1 million (US$1,015.2 million), respectively.

In connection with mortgage loans provided to our purchasers, the mortgagee banks typically require our project companies to make guarantee deposits with them. As of December 31, 2016, 2017 and 2018 and June 30, 2019, such guarantee deposits amounted to approximately RMB139.9 million, RMB208.1 million and RMB993.4 million (US$144.7 million) and RMB380.1 million (US$55.4 million), respectively. In addition, our project companies are required by local government authorities to maintain a certain amount of funds in designated bank accounts as medical expenses and compensation payments to construction workers. As of December 31, 2016, 2017 and 2018, such compensation funds amounted to approximately RMB360.1 million, RMB299.7 million and RMB147.4 million (US$21.5 million) and RMB171.6 million (US$25.0 million), respectively.

In 2017 and 2018 and the first half of 2019, some of our bank deposits were pledged for certain of our bank borrowings. As of December 31, 2017 and 2018 and June 30, 2019, such pledged bank deposits amounted to approximately RMB1,232.0 million and RMB816.0 million (US$118.9 million) and RMB863.0 million (US$125.7 million).

Contingent Liabilities

As of June 30, 2019, we provided guarantees to PRC banks for loans of approximately RMB41,086.2 million (US$5,984.9 million) in respect of the mortgage loans provided by the financial institutions to purchasers of our properties. A guarantee is released upon the earlier of the issuance of the relevant property ownership certificate, which will generally be available within one year after the purchasers take possession of the relevant property and the satisfaction of relevant mortgage loan by the purchaser.

Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, we are responsible for the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and we are entitled to take over the legal title and physical possession of the related properties. Our guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as based on our estimate the net realizable value of the related properties is sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of default in payments.

We provided guarantees for certain borrowings of associates and joint ventures. As of June 30, 2019, our guarantees provided for associates and joint ventures for their borrowings amounted to RMB869.6 million (US$126.7 million) and RMB5,208.6 million (US$758.7 million), respectively.

Contractual Obligations

As of June 30, 2019, our contractual obligations primarily in connection with our property development activities amounted to RMB47,780.4 million (US$6,960.0 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations as of the date indicated.

	As of June 30, 2019	
	RMB	US$ (unaudited)
	(in thousands)	
Other commitments		
Contracted but not provided for:		
— Property development activities	31,134,198	4,535,207
— Acquisition of land use rights	15,040,682	2,190,922
— Property, plant and equipment	1,602,812	233,476
— Others intangible assets	2,705	394
	47,780,397	6,960,000

Off-Balance Sheet Commitments and Arrangement

Except for the contingent liabilities disclosed, as of June 30, 2019, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. As of June 30, 2019, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements.

MARKET RISKS

Interest Rate Risk

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

As we have no significant interest-bearing assets, our income and operating cash flows are substantially independent of changes in market interest rates. Our exposure to changes in interest rates is mainly attributable to our bank and other borrowings, including borrowings from PRC banks, senior notes, bonds and various credit facilities and syndicated loans.

Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. In addition, any increase of benchmark lending rates published by PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to PBOC-published rates. We closely monitor trends in interest rates and their impact on our interest rate risk exposure. We entered into floating to fixed interest rate swaps with respect to certain facilities in the past and we may consider entering into similar hedging arrangements in the future.

The PBOC benchmark one-year lending rates in China (which directly affects interest rates on loans to property developers as well as the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2016, 2017 and 2018 and June 30, 2019 was 4.35%, 4.35%, 4.35% and 4.35%, respectively. As of the date of this offering memorandum, the benchmark one-year lending rate is 4.35%.

We cannot assure you that the PBOC will not further raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Foreign Exchange Rate Risk

We conduct our sales and purchases almost exclusively in Renminbi except for a small portion of our sales proceeds which are in other currencies. Our exposure to foreign exchange risk is principally due to our U.S. dollar or Hong Kong dollar-denominated debt and our bank deposits in the same foreign currencies. As of June 30, 2019, we had U.S. dollar-denominated debt totaling US$2,564.0 million, primarily consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK$22,396.3 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans. See "*Description of Other Material Indebtedness.*" As of the same date, we had monetary assets denominated in Hong Kong dollars of HK$3,986.8 million and U.S. dollars of US$784.1 million.

We recognize foreign exchange gain or loss on our income statement due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. Appreciation of the Renminbi against the U.S. dollar generally results in a gain from our U.S. dollar-denominated debt and a loss 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 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 Securities — Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment.*" We may choose to use hedging transactions to reduce our exposure to foreign exchange rate fluctuations from time to time. For example, we may enter into non-speculative hedging or other derivative transactions, which may include transactions relating to our obligations under the Securities. Our obligations under these transactions may be secured by cash or other collateral.

NON-GAAP FINANCIAL MEASURES

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

- interest income/expense;
- amortization of intangible assets and land use rights;
- non-recurring other income/expense;
- income tax expenses;
- depreciation;
- fair value gains on investment properties; and
- exchange gains/losses.

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

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

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

	Period ended December 31,				Period ended June 30,	
	2016	2017	2018		2019	
	RMB	RMB	RMB (unaudited)	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands)					
Profit for the year	3,049,634	6,780,278	8,357,817	1,217,453	5,893,691	858,513
Adjustments:						
Fair value gains on investment properties	(42,960)	(4,376)	(1,952,355)	(284,393)	(1,870)	(272)
Interest income	(145,769)	(433,754)	(780,488)	(113,691)	(484,377)	70,558
Finance costs, net (including capitalized interest realized in cost of sales)	3,769,672	3,927,811	6,015,134	876,203	3,100,164	451,590
Exchange (gains)/losses, net.	16,770	140,647	(327,177)	(47,659)	(9,433)	(1,374)
Income tax expense	4,433,480	9,088,536	11,043,282	1,608,635	4,307,561	627,467
Depreciation	464,083	504,378	514,515	74,948	260,239	37,908
Amortization of intangible assets and land use rights	64,070	80,461	88,543	12,898	118,153	17,211
EBITDA	11,608,980	20,083,981	22,959,271	3,344,395	13,184,128	1,920,485
EBITDA margin	24.9%	38.9%	40.9%	40.9%	48.6%	48.6%

Our definition of EBITDA should not be considered in isolation or construed 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 taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses.

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

THE ECONOMY OF THE PRC

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the growth of the PRC economy. According to the National Bureau of Statistics of the PRC, China's GDP has increased from approximately RMB31,924 billion in 2008 to approximately RMB90,031 billion in 2017 at a compound annual growth rate, or CAGR, of approximately 10.9%.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions)	31,924	34,852	41,212	48,794	53,858	59,296	64,128	68,599	74,006	82,075	90,031
Real GDP growth rate (%)	9.6	9.4	10.6	9.6	7.9	7.8	7.3	6.9	6.7	6.8	6.6
Per capital GDP (RMB)	24,100	26,180	30,808	36,302	39,874	43,684	47,005	50,028	53,680	59,201	64,644
Foreign Direct Investment											
—Actual investment											
(US$ in billions)	108.3	94.1	114.7	124.0	121.1	123.9	128.5	135.6	133.7	136.3	138.3
Fixed asset investment											
(RMB in billions)	14,817	19,414	24,142	30,193	36,484	43,653	50,200	55,159	59,650	63,168	63,564

Source: CEIC Data Company Limited and National Bureau of Statistics of the PRC

Since 2005, with a view to preventing China's economy from overheating and to achieving more balanced and sustainable economic growth, the PRC government has taken various measures to control money supply, credit availability and fixed asset investments. In particular, the PRC government has taken measures to discourage speculation in the residential property market and has increased the supply of affordable housing. See the section headed "*Regulation*."

THE REAL ESTATE MARKET IN THE PRC

Real Estate Reform

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

1988	The PRC government amended the Constitution to permit the transfer of state-owned land use rights
1992	Public housing sales in major cities commenced
1994	The PRC government further implemented the reform and established an employer/employee-funded housing fund
1995	The PRC government issued regulations regarding the sales and pre-sales of real estate, establishing a regulatory framework for real estate sales
1998	The PRC government abolished the state-allocated housing policy; Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
1999	The PRC government extended maximum mortgage term to 30 years
	The PRC government increased the ceiling of maximum mortgage financing from 70% to 80% of property value
	The PRC government formalized procedures for the sale of real 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 sales of commodity properties
2002	The PRC government promulgated the "Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale"
	The PRC government eliminated the dual system for domestic and overseas home buyers in China
2003	The PRC government promulgated rules for more stringent administration of real estate loans with a view to reducing the credit and systemic risks associated with such loans
	The PRC State Council (the "State Council") issued a notice for sustained and healthy development of the property market
2004	The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary housing), the proportion of capital funds be increased from 20% to 35%
	Ministry of Construction amended the "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 control of commercial banks on real estate loans

2005	The PRC government instituted additional measures to discourage speculation in certain regional markets including, among other things, 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 of unfinished properties
2006 to mid-2008	The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail rapid increase in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry The PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control property financings extended by financial institutions to further curtail speculation, over development and uncontrollable increases in property prices
Mid-2008 to the fourth quarter of 2009	The PRC government implemented a number of measures to combat the global economic slowdown, including the lowering of the PBOC benchmark bank lending rates, the internal capital ratio requirements for property projects and the down payment requirements for purchasing residential properties
The fourth quarter of 2009 to the first quarter of 2010	The PRC government adjusted certain policies to curtail the overheating of the PRC property market including abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties and imposing more stringent requirements on the payment of land premiums
First quarter of 2010 to the end of 2010	The PRC government launched a series of policies to cool down the overheated real estate market, such as increasing the down payment requirements for properties purchased with mortgage loans, imposing property purchase restrictions for non-local residents, decreasing the ceiling of the maximum loan to value ratio of mortgage loans offered to borrowers, increasing mortgage interest rates and construction loan interest rates
2011	The PRC government implemented measures aimed at further cooling the real estate property market. These measures include increasing the minimum down payment to at least 60% of the total purchase price, setting minimum mortgage lending interest rate of 110% of the benchmark rate, levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. There are also other measures targeting certain cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties and imposing property tax. In addition, certain cities, including Beijing, Shanghai, Qingdao, Chengdu and Jinan, have promulgated measures further limiting the number of residential properties a household is allowed to purchase. Between February and July 2011, the PBOC raised the one-year benchmark lending rate by 75 basis points from 5.81% to 6.56%

2012 . . . . The PRC government continued to implement selected policies aimed at further cooling the real estate property market. The NDRC announced in February 2012 that the government intended to limit mortgage loans for home purchases by foreigners to reduce overseas investment in the local property market. However, the PRC government reiterated its support for first-time homebuyers, including the construction of affordable housing and the offer of differentiated loans by China's four biggest state-owned banks to first-time homebuyers and to fund affordable housing projects. Beginning in May 2012, the PRC government began to implement selected measures to support the growth of the Chinese economy. In May 2012, the government lowered bank reserve requirement ratio by 50 basis points for the second time, lowering the reserve requirement ratio for the country's largest financial institutions to 20%. The PRC government also lowered the PBOC one-year benchmark lending rate for the first time since December 2008, reducing the one-year benchmark lending rate by 56 basis points to 6.0%. In August 2012, the PRC government began preparing the implementation of a broader property tax following initial trials in Shanghai and Chongqing, with tax governors from across the country undergoing a six-month training program organized by the State Administration of Taxation to prepare for the tax's implementation. In December 2012, The Central Economic Work Conference announced that China will continue its property market control policies in 2013, step up the construction and management of low-income housing, as well as renovation of run-down areas.

2013 . . . . On February 26, 2013, the State Council issued the "Notice on Continuing Adjustment and Control of Property Market", which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit.

On July 19, 2013, the PBOC announced a few measures to further liberalize China's lending interest rate effective from July 20, 2013. The most important of all is the removal of the lending rate floor, which was 30% below the benchmark rates. The floor on the benchmark mortgage rate will however remain to curb speculative demand on the property market and maintain a healthy development of the market.

2014 . . . . On August 7, 2014, Foshan eased its home purchase restriction, allowing non-residents to buy one housing unit and registered local residents to buy up to two units. On September 3, 2014, Dalian removed its home purchase restriction, allowing both residents and non-residents to buy housing units in Dalian without limits on the number of units purchased. On September 24, 2014, Wuhan removed the restriction on the purchase of homes. As of September 30, 2014, other than Beijing, Shanghai, Guangzhou, Shenzhen and Sanya, cities that had property-purchasing limitations have loosened or canceled such limitations.

On September 29, 2014, the PBOC and the CBRC jointly issued the "Circular on Further Improving Financial Services for Housing Consumption" (關於進一步做好住房金融服務工作的通知), which provides that the down payment for the first-time home purchase with mortgage loans or the home upgrade purchase with mortgage loans after full repayment of the first home purchase shall be not less than 30% of the purchase price, and the loan interest rate shall be not lower than 70% of the benchmark landing rate published by the PBOC. In cities where restriction on purchasing residential properties have not been applied or have been canceled, the banks may set the down payment as a percentage of purchase price and set the interest rate based on the solvency and credit status of mortgage loan applicants who own two or more residential properties with mortgage loans fully repaid and are applying for mortgage loans to buy another property.

On November 21, 2014, the PBOC reduced the benchmark one-year lending rate to 5.60%.

2015 . . . . As of March 1, 2015, the new property registration rules in China unifies property registration nationwide. The new registration system shares information such as property location, area and origin of ownership in real time among government departments including the police, taxation and audit authorities.

On March 27, 2015, the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources jointly issued a notice to address property oversupply. Key measures included adjusting land supply, allowing developers to change their project planning (i.e. adjusting the unit sizes of apartments), and allowing developers to change the land uses (e.g. from residential to social housing, commercial, recreational, tourism and cultural uses) of land plots where construction has not yet started.

On March 30, 2015, the PBOC, CBRC and the Ministry of Housing and Urban-Rural Development jointly announced an easing of the housing mortgage policy. The second-home down payment requirement for self-use ordinary housing was lowered from between 60 to 70% to 40%, and the minimum interest rate of 110% of the benchmark lending rate was eliminated. The down payment requirement eased from 30% to 20% for first home purchases under Housing Provident Fund scheme, and from 40% to 30% for second home purchases. The Ministry of Finance exempted business tax on second-hand sales of ordinary housing held for more than two years.

On March 30, 2015, both the Ministry of Finance and PBOC announced measures to increase home purchases and to sustain economic growth. China's Ministry of Finance announced an adjustment to the tax policy for individual housing transactions wherein residential properties held by owners for two years or more will qualify for a tax exemption or reduction following the sale of the property, down from the previous minimum holding period of five years.

On the same day, the PBOC announced that it would promote the residential market by lowering the minimum down payment for first-time buyers of "ordinary homes" and qualified buyers of second "ordinary homes". For first-time buyers, the new down payment would be a flat 20%, compared to 20% for homes smaller than 90 sq.m. and 30% for homes larger than 90 sq.m..

On April 19, 2014, PBOC lowered the reserve requirement ratio ("RRR") by a full percentage point to 18.5% effective April 20, 2016, the deepest single reduction since 2008. This follows a cut of 50 basis points on February 4, 2016 in order to ward off a sharp slowdown in the economy.

On June 29, 2015, the PBOC cut the RRR again; 0.5% for commercial banks of all sizes, and 3% for finance companies to increase financing.

On August 19, 2015, Chinese authorities, including the Ministry of Commerce, issued a statement allowing overseas companies' Chinese units and foreign nationals working and living in China to buy properties for their own use. This represented a reversal of a 2006 law that banned foreign citizens living and working in China for less than a year from buying a home in the country, and for foreign property companies with registered capital less than half of their total investments.

On August 26, 2015, the PBOC cut the RMB benchmark loan and deposit interest rates by 0.25% each for financial institutions in order to reduce financing costs to businesses. It also cut deposit and loan interest rates on personal housing provident funds used in mortgages by 0.25% to 2.75% for loans with tenors 5 years or less and 3.25% for those loans over 5 years.

On August 31, 2015, the PBOC, MOF and MOHURD jointly announced an easing of the housing mortgage policy. The down payment requirement eased from 30% to 20% for second home purchases under Housing Provident Fund scheme.

On September 1, 2015, the minimum payment for buyers who use their Housing Provident Funds to buy a second home was lowered to 20% from 30%, if buyers had paid off their previous mortgage. The rule does not apply to tier one cities.

On September 30, 2015, PBOC and CBRC jointly announced that for the cities without housing restriction policy, The first home down payment requirement for self-use ordinary housing was set to be 25%.

On October 8, 2015, MOHURD raised housing fund loan upper limit for eligible cities and launched non-local housing fund loan application.

On October 24, 2015, PBOC announced that the one-year lending rate will decrease to 4.35% and the one-year deposit rate will decrease to 1.5%. The deposit reserve ratio of financial institution will be decreased by 0.5%. The floating range cap of the deposit rate for commercial bank and rural cooperative financial institutions was eliminated.

2016 . . . . On February 1, 2016, PBOC and CBRC jointly announced that for the cities without housing restriction policy, the minimum down payment for first home purchase and second home purchase is set to be 25% and 30%, respectively, of the purchase price. Various regions may decrease by 5% based on the 25% minimum down payment for first home purchase.

On February 2, 2016, mortgage down payment ratio was allowed to be reduced to 20% for the 1st home purchase and 30% for the 2nd home purchase in non-purchase-restricted cities.

On February 21, 2016, PBOC has raised the interest rate of Employee Housing Provident Fund, which will be executed by the one-year fixed deposit interest rate, namely 1.50% per year.

On March 1, 2016, PBOC announced that the deposit reserve ratio of financial institution decreased by 0.5%.

On March 25, 2016, General Office of the People's Government of Shanghai Municipality unveiled the new housing policy: (1) Raise the hurdle for home purchase by non-local residents (non-Shanghai residents now have to pay social insurance or individual income tax for five consecutive years to become a qualified buyer, instead of two years); (2) Tighten the definition of "second-home buyer"; (3) Increase down payment for second-homes (buyers of second homes will have to pay a minimum 70 percent down payment for "non-ordinary housing" and a minimum 50 percent for "ordinary housing" — previously, a 40 percent down payment was required for both types of house); (4) Adjust the ordinary housing standard; and (5) Restrict housing transactions by company-owned property.

During the third quarter of 2016, many tier two cities' municipal governments began fine-tuning property policies. The municipal governments of Xiamen, Wuhan, Nanjing, Suzhou and Hefei have issued different restrictive policies (raised down payment or restricted home purchase again) to rein in the increasing housing price. For example, Wuhan municipal government raised down payment from 30% to 40% for second-hand housing buyers on September 1, 2016.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy.

2017 . . . . In 2016, China's housing market is marked by new highs with record-breaking sales and price growth. Since the start of 2017, the government continued to maintain strict sales and loan restrictions targeted at buyers in tier one and tier two cities that saw rapid growth (namely Shenzhen, Shanghai, Hefei, Nanjing and Suzhou).

On January 13, 2017 Chongqing Municipal Government promulgated the "Chongqing Municipal People's Government's decision on the revision of "Chongqing's tentative approach of implementation of the reform pilot on the taxation on partial individual housing property" and "Chongqing's implementation details of personal housing property tax collection and management": (1) The pilot areas are Yuzhong District, Jiangbei District, Shapingba District, Jiulongpo District, Dadukou District, Nan'an District, Beibei District, Yubei District and Banan District. (2) The people in Chongqing without household registration, business or work at the same time purchasing of the first or more set housing will be included in the first collection of objects. (3) the tax rate is 0.5% for those in Chongqing without household registration, business or work at the same time purchasing the first set or more ordinary housing.

On January 13, 2017, Chongqing municipal government announced "Chongqing Provisional Rules on Collection and Administration of Property Tax of Individual Residential Houses" (重慶市關於開展對部分個人住房徵收房產稅改革試點的暫行辦法). Based on the updated policy, non-resident buyers (who are not employed in and do not own any enterprise in Chongqing) need to pay 0.5% of total housing value every year even for the first time purchase of ordinary residential property in Chongqing (previously only the second or subsequent purchases were liable for payment of property tax).

On March 24, 2017, Foshan municipal government promulgated the "Notice on Further Improving Purchasing Restrictions for New Commodity Housing" (佛山市人民政府辦公室關於進一步完善我市新建商品住房限購政策的通知). Based on the policy, non-residents can only buy one new commodity house in areas which have purchasing restrictions, and must provide either personal income tax or social security records dated within two years of the purchase date which have been paid or accumulated in Foshan city for at least one year.

On December 23, 2017 the Minister of Housing and Urban-Rural Construction indicated that the government will establish a housing system that ensures supply through multiple sources, provide support through multiple channels, and encourage both housing purchase and renting in 2018. The government will apply a differentiated property policy based on local conditions and divide power between central and local governments and promote the steady and healthy development of the real estate market. While imposing control measures on the residential property market, the policy thrust is to meet basic housing needs for first home buyers as well as upgraders demand.

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

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

The table below sets out selected figures showing China's urbanization rate and the increase in disposable income levels of the urban population in China for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Urban population (in millions)	624	645	670	691	712	731	749	771	793	813	831
Total population (in millions)	1,328	1,335	1,341	1,347	1,354	1,361	1,368	1,375	1,383	1,390	1,395
Urbanization rate (%)	47.0	48.3	49.9	51.3	52.6	53.7	54.8	56.1	57.3	58.5	59.6
Per capita disposable income (urban) (RMB)	15,781	17,175	19,109	21,810	24,565	26,462	28,844	31,195	33,616	36,396	39,251

Sources: CEIC and National Bureau of Statistics of China

Property Price and Supply

Prices for property in China have continued to increase since 2008, with the average price of residential properties in China increasing from approximately RMB3,576 per sq.m. in 2008 to approximately RMB8,544 per sq.m. in 2018, while the average price of commercial properties in China increased from approximately RMB5,886 per sq.m. in 2008 to approximately RMB11,150 per sq.m. in 2018.

In addition, investment in property increased from approximately RMB3,058 billion in 2008 to approximately RMB12,026 billion in 2018.

The following table sets forth selected data relating to the PRC property market for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investment in property (RMB in billions)	3,058	3,623	4,827	6,174	7,180	8,601	9,504	9,598	10,258	10,980	12,026
Total gross floor area sold (sq.m. in millions)	660	948	1,048	1,094	1,113	1,306	1,207	1,285	1,573	1,694	1,717
Gross floor area of residential properties sold (sq.m. in millions)	593	862	934	965	985	1,157	1,052	1,124	1,375	1,448	1,479
Gross floor area of commercial properties sold (sq.m. in millions)	42	53	70	79	78	85	91	93	108	128	120
Average price of commodity properties (RMB per sq.m.)	3,800	4,681	5,032	5,357	5,791	6,237	6,324	6,793	7,476	7,892	8,737
Average price of residential properties (RMB per sq.m.)	3,576	4,459	4,725	4,993	5,430	5,850	5,932	6,472	7,203	7,614	8,544
Average price of commercial properties (RMB per sq.m.)	5,886	6,871	7,747	8,488	9,021	9,777	9,814	9,561	9,786	10,323	11,150

Sources: CEIC and National Bureau of Statistics of China

Housing Mortgage

According to CEIC Data Company Limited, a database vendor based in Hong Kong, the aggregate sum of outstanding mortgage loans for residential properties in the PRC grew from approximately RMB2,980 billion in 2008 to approximately RMB25,750 billion in 2018.

Real Estate Sales Revenue

The expansion of the property industry in China was evidenced by the growth of revenue from the sale of properties in China. According to CEIC Data Company Limited, the total revenue from property development in the PRC increased from approximately RMB2,507 billion in 2008 to approximately RMB14,997.3 billion in 2018. During the same period, total GFA sold increased from approximately 659.7 million sq.m. in 2008 to approximately 1,716.5 million sq.m. in 2018.

THE REAL ESTATE MARKET IN GUANGDONG PROVINCE

Guangdong Province is located in the southern part of China and comprises approximately 179,757 square kilometers in area. According to CEIC Data Company Limited, Guangdong Province had a permanent resident population of approximately 113.5 million in 2018. Guangdong Province has experienced substantial economic growth in the past years. The table below sets out selected economic statistics of Guangdong Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB bn)	3,680	3,948	4,601	5,321	5,707	6,247	6,781	7,281	8,085	8,971	9,728
Real GDP growth rate (%)	10.4	9.7	12.5	10.0	8.2	8.5	7.8	8.0	7.5	7.5	6.8
Per capita GDP (RMB)	37,638	39,436	44,736	50,807	54,095	58,833	63,469	67,503	74,106	80,932	86,412
Per capita disposable income (urban) (RMB)	19,733	21,575	23,898	26,897	30,227	29,537	32,148	34,757	37,684	40,975	44,341

Sources: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 76 million sq.m. of commodity properties was completed in Guangdong Province in 2018. A total GFA of approximately 143 million sq.m. was sold in Guangdong Province in 2018. The table below sets out the total commodity building GFA completed, total GFA sold and average property price per sq.m. in Guangdong Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	0218
Commodity building GFA completed (mm sq.m.)	44	51	57	61	64	63	73	60	66	82	76
GFA sold (mm sq.m.)	49	71	73	74	79	98	93	117	146	160	143
% of total GFA sold in PRC	7.4	7.5	7.0	6.8	7.1	7.5	7.7	9.1	9.3	9.4	8.4
Average price (RMB psm)	5,953	6,513	7,486	7,879	8,112	9,090	9,083	9,796	11,097	11,776	13,073

Source: Guangdong Bureau of Statistics and CEIC

The Property Market in Guangzhou

Guangzhou is the largest city in southern China and the capital of Guangdong Province. According to Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2018, Guangzhou had a permanent resident population of approximately 14.9 million. In 2018, Guangzhou's GDP reached approximately RMB2,286 billion.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2801
GDP (RMB bn)	837	924	1,086	1,256	1,370	1,566	1,690	1,831	1,978	2,150	2,286
Real GDP growth rate (%)	12.6	11.9	13.2	11.4	10.4	11.7	8.6	8.4	8.2	7.0	6.2
Per capita GDP (RMB)	77,165	80,272	88,361	98,677	107,055	121,585	129,938	137,793	143,638	150,678	155,491
Per capita disposable income (urban) (RMB)	25,317	27,610	30,658	34,438	38,054	42,049	42,955	46,735	50,941	55,400	59,982

Source: Guangdong Bureau of Statistics and CEIC

Guangzhou is also one of the largest commercial centers in southern China. It serves as a transportation and commercial hub for southern China.

According to CEIC Data Company Limited, a total GFA of approximately 15.2 million sq.m. was completed in Guangzhou in 2018. A total GFA of approximately 15.5 million sq.m. was sold in Guangzhou in 2018. The average property selling price per sq.m. in Guangzhou in 2018 was approximately RMB20,013.

The Property Market in Zhongshan

Zhongshan is located in the southern region of Guangdong Province. It is located close to Hong Kong and Macau, with direct ferries operating from Hong Kong. Zhongshan is the hometown of Dr. Sun Yat-Sen, widely regarded as the founding father of modern China. According to Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2018, Zhongshan had a permanent resident population of approximately 3.3 million. In 2018, Zhongshan's GDP reached approximately RMB363 billion. The table below sets out selected economic statistics of Zhongshan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB bn)	147	159	188	223	248	269	287	305	325	343	363
Real GDP growth rate (%)	11.1	10.4	14.2	13.4	11.3	10.0	7.9	8.3	7.6	6.6	5.9
Per capita GDP (RMB)	53,533	54,887	61,691	71,079	78,846	85,101	90,007	95,365	100,897	105,711	110,585
Per capita disposable income (RMB)	21,560	23,088	25,357	27,700	31,130	34,274	34,304	37,254	41,613	45,295	48,804

Source: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 8.7 million sq.m. was sold in Zhongshan in 2017. The average property selling price per sq.m. in Zhongshan was approximately RMB7,892 in 2017.

The Property Market in Foshan

Foshan is located in the central part of Guangdong Province, situated to the west of Guangzhou. According to the Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2017, Foshan had a permanent resident population of approximately 7.6 million. In 2018, Foshan's GDP reached approximately RMB994 billion. The table below sets out selected economic statistics of Foshan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions)	442	485	569	626	668	712	756	813	876	940	994
GDP growth rate (%)	15.3	13.1	14.3	11.5	8.2	9.8	8.3	8.3	8.1	8.3	6.3
Per capita GDP (RMB)	68,667	72,167	80,794	86,759	92,145	97,784	103,253	110,054	117,606	124,324	N/A
Per capita disposable income (urban) (RMB)	22,494	24,578	27,245	30,718	34,580	38,038	36,555	39,757	43,120	46,849	50,737

Source: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 22.2 million sq.m. was sold in 2017. The average property selling price per sq.m. in Foshan in 2017 was approximately RMB9,899.

The Property Market in Heyuan

Heyuan is located in the northeastern part of Guangdong Province. According to the Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2018, Heyuan had a permanent resident population of approximately 3.1 million. In 2018, Heyuan's GDP reached approximately RMB101 billion. The table below sets out selected economic statistics of Heyuan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions)	40	41	45	53	61	69	75	78	85	95	101
GDP growth rate (%)	10.3	10.1	12.7	12.9	11.8	12.1	8.5	6.1	6.6	5.1	6.3
Per capita GDP (RMB)	14,109	14,163	15,564	17,938	20,536	22,810	24,721	25,513	27,739	30,659	32,530
Per capita disposable income (urban) (RMB)	11,343	12,138	13,177	14,737	16,520	18,436	18,246	20,016	21,817	23,780	25,492

Source: Guangdong Bureau of Statistics and CEIC Data Company Limited

According to CEIC Data Company Limited, a total GFA of approximately 5.0 million sq.m. was sold in Heyuan in 2018. The average property selling price per sq.m. in Heyuan in 2017 was approximately RMB5,020.

The Property Market in Huizhou

Huizhou is located in the southern region of Guangdong Province. According to the on Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2018, Huizhou had a permanent resident population of approximately 4.8 million. According to the Guangdong Bureau of Statistics, Huizhou's GDP reached approximately RMB410 billion in 2018. The table below sets out selected economic statistics of Huizhou for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions)	131	142	174	212	241	274	304	318	345	383	410
GDP growth rate (%)	11.7	13.3	18.3	15.2	12.8	13.8	9.9	9.2	8.1	7.6	6.0
Per capita GDP (RMB)	31,881	33,300	38,917	45,829	51,721	58,434	64,398	67,046	72,465	80,205	85,418
Per capita disposable income (RMB)	19,481	21,278	23,565	26,609	29,965	32,991	27,300	30,057	33,213	36,608	39,574

Source: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 16.6 million sq.m. was sold in 2018. The average property selling price per sq.m. in Huizhou in 2017 was approximately RMB9,898.

The Property Market in Nanjing, Jiangsu Province

Nanjing is the capital of Jiangsu Province, located in the heart of Yangtze River Delta. According to CEIC Data Company Limited, as of December 31, 2018, Nanjing had a permanent resident population of approximately 8.4 million. In 2018, Nanjing's GDP reached approximately RMB1,282 billion. The table below sets out selected economic statistics of Nanjing for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions)	382	423	513	615	731	820	896	986	1,066	1,172	1,282
GDP growth rate (%)	12.1	11.5	13.1	12.0	11.7	11.0	10.1	9.3	8.0	8.1	8.0
Per capita GDP (RMB)	50,855	55,290	65,273	76,263	89,816	100,307	109,194	119,883	129,194	141,103	152,886
Per capita disposable income (RMB)	22,337	24,678	27,383	31,100	35,092	39,125	42,568	46,104	49,997	54,538	59,308

Source: Nanjing Bureau of Statistics and CEIC

According to the CEIC Data Company Limited, a total GFA of approximately 11.8 million sq.m. was completed in Nanjing in 2018, and approximately 12.2 million sq.m. was sold in the same year. The average property selling price per sq.m. in Nanjing in 2018 was approximately RMB22,380.

The Property Market in Chengdu, Sichuan Province

Chengdu is the capital of Sichuan Province, located in the southwestern part of China. According to the Chengdu Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2018, Chengdu had a permanent resident population of approximately 16.3 million. In 2018, Chengdu's GDP reached approximately RMB1,534 billion. The table below sets out selected economic statistics of Chengdu for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions).	394	450	555	695	814	911	1,006	1,080	1,217	1,389	1,534
GDP growth rate (%). .	12.1	14.7	15.0	15.2	13.1	10.2	8.9	7.9	7.7	8.1	8.0
Per capita GDP (in RMB)	31,203	35,215	41,253	49,438	57,624	63,977	70,019	74,273	76,960	86,911	94,782
Per capita disposable income (urban) (in RMB)	15,580	17,589	19,920	23,048	27,194	29,968	30,996	33,476	35,902	38,918	42,128

Source: Chengdu Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 17.2 million sq.m. was completed in Chengdu in 2018 and a total GFA of approximately 36.8 million sq.m. was sold in the same year. The average property selling price per sq.m. in Chengdu in 2018 was approximately RMB9,867.

The Property Market in Xi'an, Shaanxi Province

Xi'an is the capital of Shaanxi Province. According to CEIC Data Company Limited, as of December 31, 2018, Xi'an had a permanent resident population of approximately 10.0 million. In 2018, Xi'an's GDP reached approximately RMB835 billion, representing a per capita GDP of approximately. The table below sets out selected economic statistics of Xi'an for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions).	232	272	324	387	439	492	549	580	628	747	835
GDP growth rate (%). .	16.3	14.5	14.5	13.5	12.2	11.1	9.9	8.2	8.6	7.7	8.2
Per capita GDP (in RMB)	27,794	32,420	38,357	45,561	51,499	57,464	63,794	66,938	71,647	78,368	85,114
Per capita disposable income (in RMB) . .	15,207	18,963	22,244	25,981	29,982	33,100	30,715	33,188	35,630	38,536	38,729

Source: Xi'an Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 9.7 million sq.m. was completed in Xi'an in 2018, and a total GFA of approximately 26.2 million sq.m. was sold in the same year. The average property selling price per sq.m. in Xi'an in 2018 was approximately RMB10,171.

The Property Market in Hainan Province

Hainan is an island located off the southern coast of China, one of the special economic zones laid out by Deng Xiaoping. According to CEIC Data Company Limited, as of December 31, 2018, Hainan had a permanent resident population of approximately 9.3 million. In 2018, Hainan's GDP reached approximately RMB483 billion. The table below sets out selected economic statistics of Hainan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB bn)	150	165	206	252	286	318	350	370	405	446	483
GDP growth rate (%). .	10.3	11.7	16.0	12.0	9.1	9.9	8.5	7.8	7.5	7.0	5.8
Per capita GDP (RMB).	17,691	19,254	23,831	28,898	32,377	35,663	38,924	40,818	44,347	48,430	51,955
Per capita disposable income (RMB)	12,608	13,751	15,581	18,369	20,918	22,411	24,487	26,356	28,453	30,817	33,349

Source: Hainan Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 11.9 million sq.m. was completed in Hainan in 2018, and a total GFA of approximately 14.3 million sq.m. was sold in the same year. The average property selling price per sq.m. in Hainan in 2018 was approximately RMB14,546.

The Property Market in Shanghai

Shanghai is situated on the bank of Yangtze River Delta in China, one of the largest cities by population in China. According to CEIC Data Company Limited, as of December 31, 2018, Shanghai had a permanent resident population of approximately 24.2 million. In 2018, Shanghai's GDP reached approximately RMB3,268 billion. The table below sets out selected economic statistics of Shanghai for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions).	1,407	1,505	1,717	1,920	2,018	2,182	2,357	2,512	2,818	3,063	3,268
GDP growth rate (%). .	9.7	8.2	10.3	8.2	7.5	7.7	7.0	6.9	6.9	6.9	6.9
Per capita GDP (in RMB)	66,932	69,165	76,074	82,560	85,373	90,993	97,370	103,796	116,562	126,634	135,000
Per capita disposable income (in RMB) . .	26,675	28,838	31,838	36,230	40,188	44,878	48,841	52,962	57,692	62,596	68,034

Source: Shanghai Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 31.2 million sq.m. was completed in Shanghai in 2018, and a total GFA of approximately 17.7 million sq.m. was sold in the same year. The average property selling price per sq.m. in Shanghai in 2018 was approximately RMB26,890.

The Property Market in Chongqing

Chongqing is located in the central western part of China. According to CEIC Data Company Limited, as of December 31, 2018, Chongqing had a permanent resident population of approximately 31.0 million. In 2018, Chongqing's GDP reached approximately RMB2,036 billion. The table below sets out selected economic statistics of Chongqing for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions).	579	653	793	1,001	1,141	1,278	1,426	1,572	1,774	1,942	2,036
GDP growth rate (%). .	14.5	14.9	17.1	16.4	13.6	12.3	10.9	11.0	10.7	9.3	6.0
Per capita GDP (in RMB)	20,490	22,920	27,596	34,500	38,914	43,223	47,850	52,321	58,502	63,442	65,933
Per capita disposable income (urban) (in RMB)	14,368	15,749	17,532	20,250	22,968	23,049	25,147	27,239	29,611	32,193	34,889

Source: Chongqing Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 30.6 million sq.m. was completed in Chongqing in 2017, and a total GFA of approximately 65.4 million sq.m. was sold in 2018. The average property selling price per sq.m. in Chongqing in 2018 was approximately RMB8,067.

The Property Market in Shenyang, Liaoning Province

Shenyang is the capital of Liaoning Province in northeastern China. According to CEIC Data Company Limited, as of December 31, 2017, Shenyang had a permanent resident population of approximately 8.3 million. In 2018, Shenyang's GDP reached approximately RMB629 billion. The table below sets out selected economic statistics of Shenyang for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions).	386	427	502	592	660	716	710	727	555	578	629
GDP growth rate (%). .	16.3	14.1	14.1	12.3	10.0	8.4	(0.8)	3.3	(5.6)	3.5	5.4
Per capita GDP (in RMB)	49,166	54,654	62,357	72,648	80,480	86,850	85,816	87,734	66,893	69,754	N/A
Per capita disposable income (urban) (in RMB)	17,013	18,475	20,541	23,326	26,431	29,074	34,246	36,643	39,135	41,359	44,054

Source: Shenyang Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 6.6 million sq.m. was completed in Shenyang in 2018, and a total GFA of approximately 13.5 million sq.m. was sold in the same year. The average property selling price per sq.m. in Shenyang in 2018 was approximately RMB8,892.

The Property Market in Tianjin

Tianjin is located in the Bohai Rim of Northern China and is approximately 120 kilometers from Beijing, the capital of the PRC. Tianjin is one of the four municipalities directly under the administration of the central government of the PRC. According to CEIC Data Company Limited, as of December 31, 2018, Tianjin had a permanent resident population of approximately 15.6 million. In 2018, Tianjin's GDP reached approximately RMB1,881 billion. The table below sets out selected economic statistics of Tianjin for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions).	672	752	922	1,131	1,289	1,444	1,573	1,654	1,789	1,855	1,881
GDP growth rate (%). .	16.5	16.5	17.4	16.4	13.8	12.5	10.0	9.3	9.1	3.6	3.6
Per capita GDP (RMB).	58,656	62,574	72,994	85,213	93,173	100,105	105,231	107,960	115,053	118,944	120,606
Per capita disposable income (urban) (RMB).	19,423	21,402	24,293	26,921	29,626	28,980	31,506	34,101	37,110	40,278	42,976

Source: Tianjin Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 20.9 million sq.m. was completed in Tianjin in 2018, and a total GFA of approximately 12.5 million sq.m. was sold in Tianjin in the same year. The average property selling price per sq.m. in Tianjin was RMB16,055 in 2018.

The Property Market in Yunnan

Yunnan Province is located in south-western China and shares its southern border with Burma, Laos and Vietnam. According to CEIC Data Company Limited, as of December 31, 2017, Yunan had a permanent resident population of approximately 48.0 million. In 2018, Yunnan's GDP reached approximately RMB1,788 billion. The table below sets out selected economic statistics of Yunnan for the periods indicated.

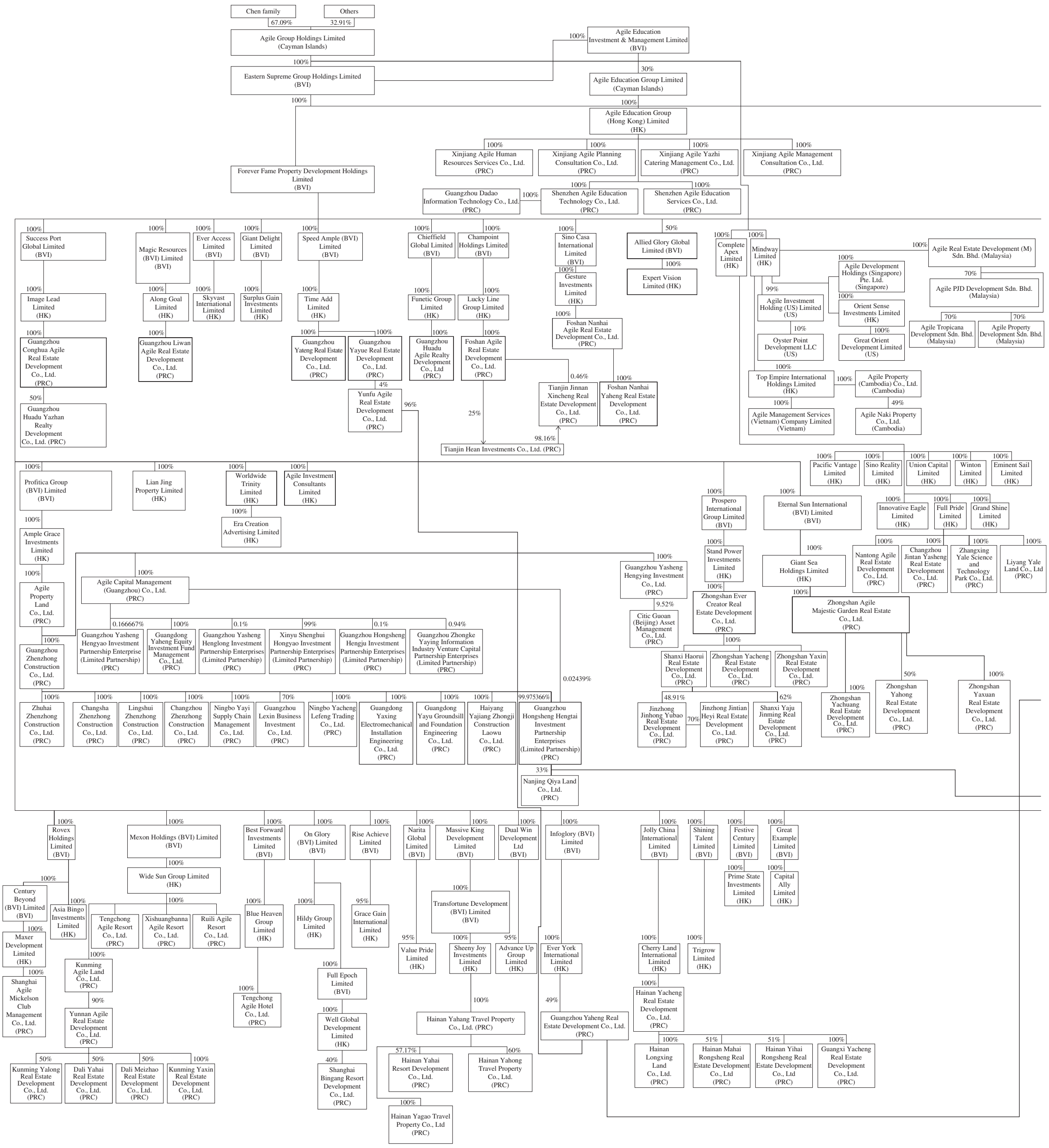
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB in billions).	569	617	722	889	1,031	1,183	1,282	1,362	1,479	1,638	1,788
GDP growth rate (%). .	10.6	12.1	12.3	13.7	13.0	12.1	8.1	8.7	8.7	9.5	8.9
Per capita GDP (RMB).	12,570	13,539	15,752	19,265	22,195	25,322	27,264	28,806	31,093	34,221	N/A
Per capita disposable income (urban) (RMB).	13,250	14,424	16,065	18,576	21,075	22,460	24,299	26,373	28,611	30,996	33,488

Source: Yunnan Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 14.5 million sq.m. was completed in Yunnan in 2018, and a total GFA of approximately 45.3 million sq.m. was sold in Yunnan in the same year. The average property selling price per sq.m. of properties in Yunnan in 2017 was RMB7,517.

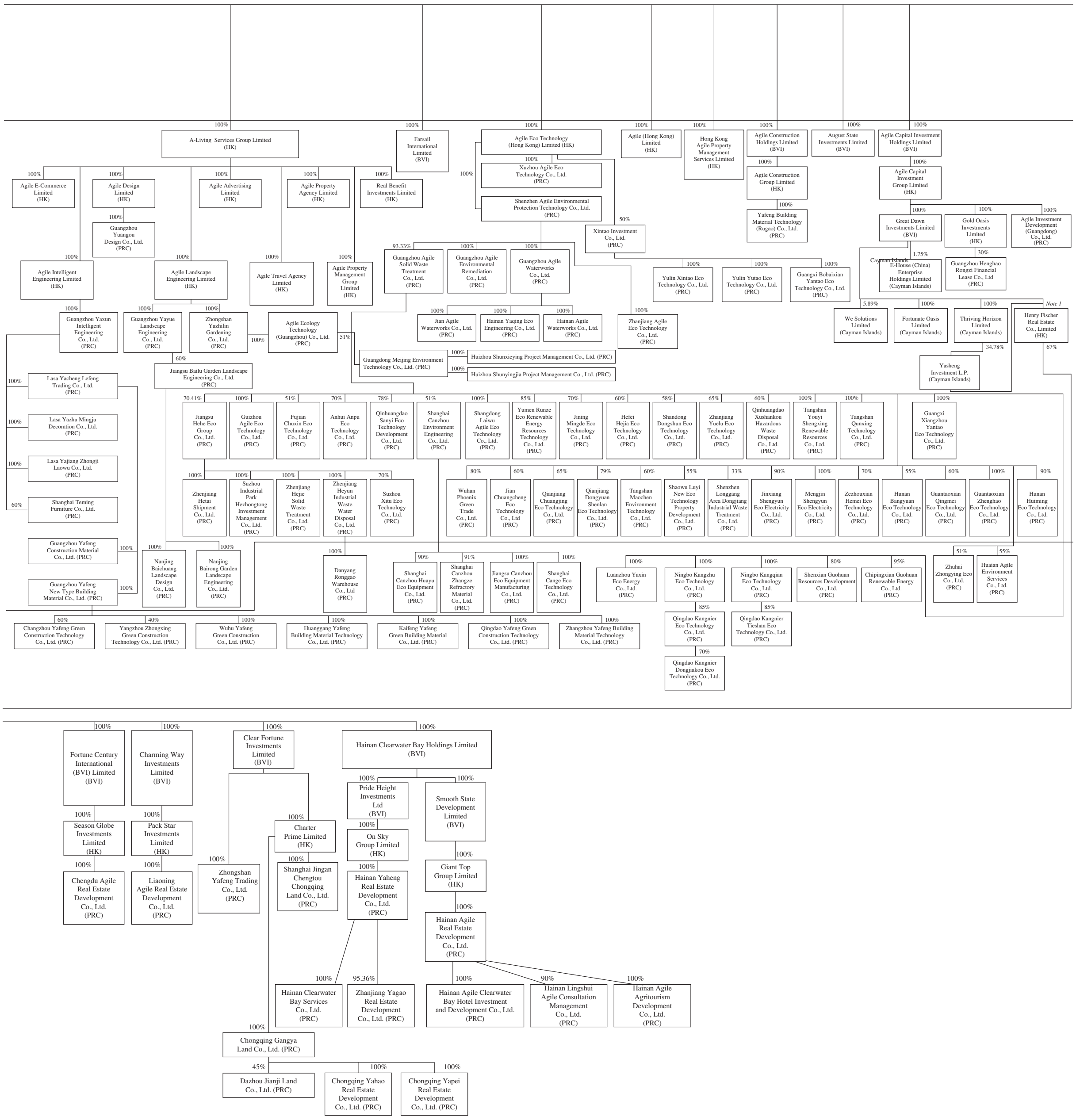
CORPORATE STRUCTURE

The following chart shows our corporate structure as of September 30, 2019.



* *As of September 30, 2019, we had 238 non-PRC subsidiaries.*

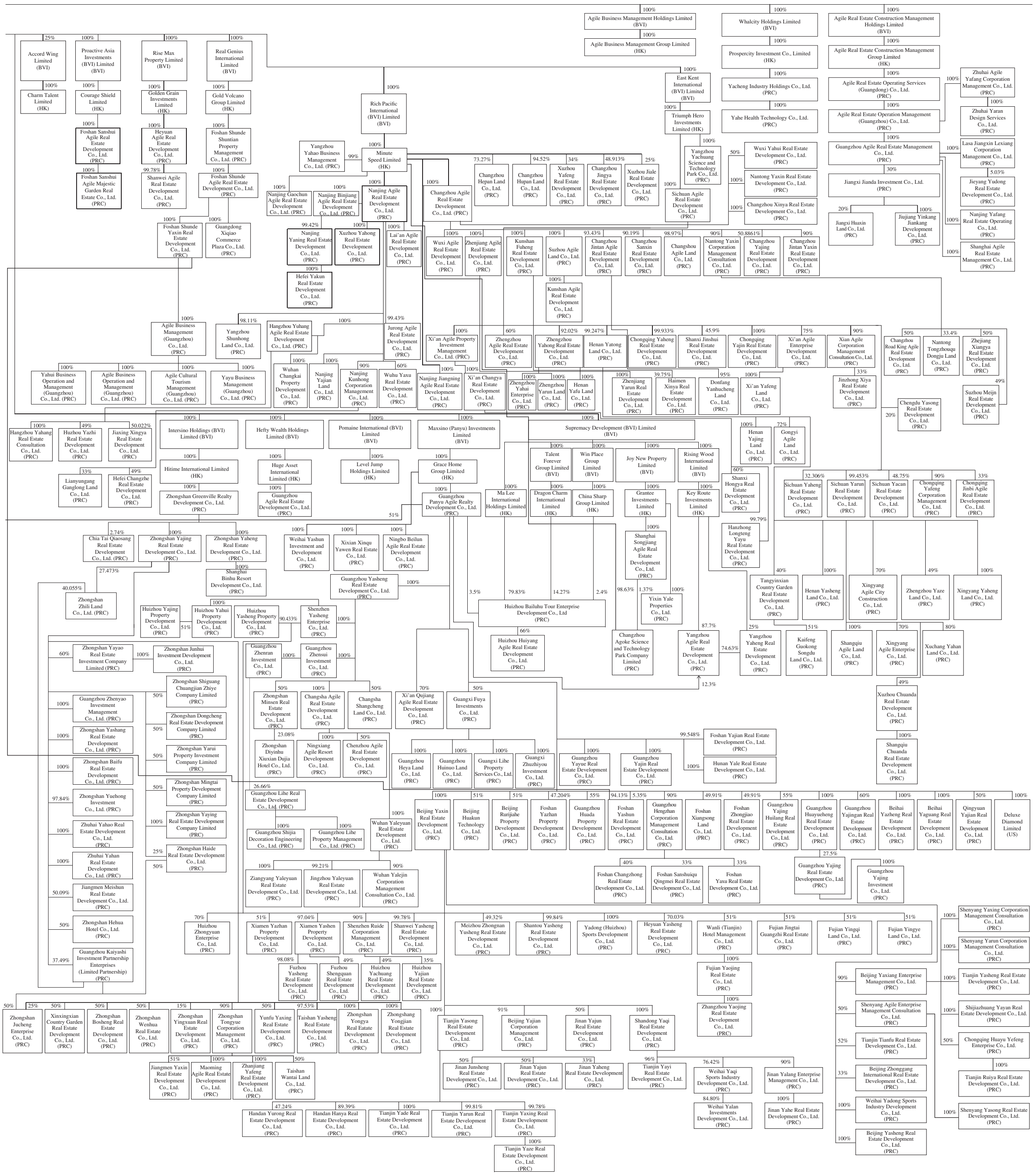
Subsequent to September 30, 2019, we have, in our ordinary course of business, incorporated or acquired certain onshore or offshore subsidiaries, which are not reflected in the corporate structure in this offering memorandum.

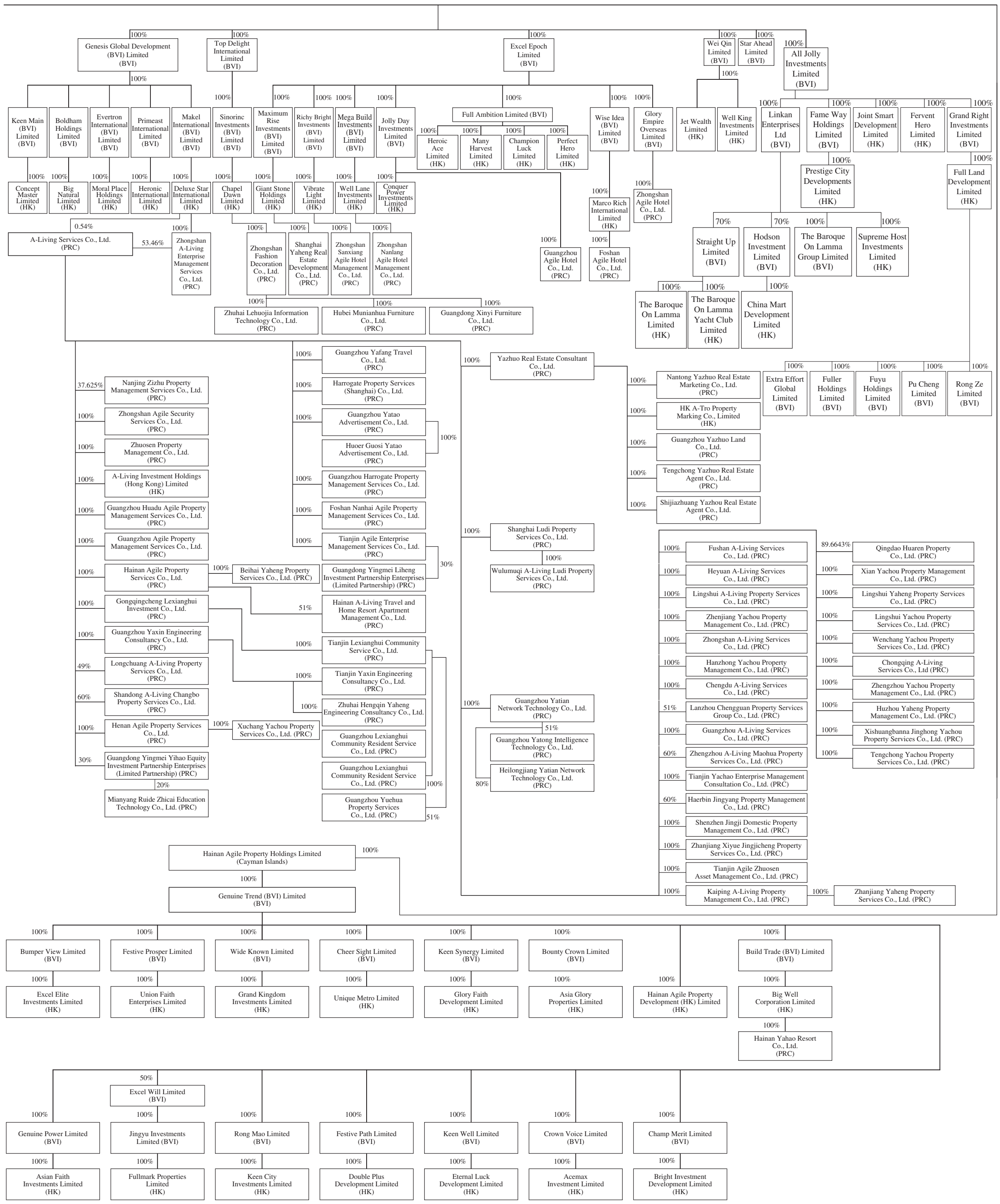


Note 1: The company have 2 types of shares. 45% of ordinary shares and 100% of non-voting shares held by Great Dawn Investments Limited. 55% of ordinary shares held by Yasheng Investment L.P.

Note 2: As of September 30, 2019, certain PRC subsidiaries had not fully paid their registered capital, such as Xishuangbannan Agile Resort Co., Ltd., Changzhou Hupan Land Co., Ltd., Suzhou Agile Land Co., Ltd., Shanxi Jinshui Real Estate Development Co., Ltd., Yangzhou Yaheng Real Estate Development Co., Ltd., Guangzhou Yayue Landscape Engineering Co., Ltd. and Hainan Agile Real Estate Development Co., Ltd.

Note 3: As of September 30, 2019, Shares of certain PRC subsidiaries are pledged to banks, such as Suzhou Agile Land Co., Ltd. and Yangzhou Shunhong Land Co., Ltd.




Genesis Global Development (BVI) Limited (BVI)
Top Delight International Limited (BVI)
Excel Epoch Limited (BVI)
Wei Qin Limited (BVI)
Star Ahead Limited (BVI)
All Jolly Investments Limited (BVI)
Keen Main (BVI) Limited (BVI)
Boldham Holdings Limited (BVI)
Evertron International (BVI) Limited (BVI)
Primeast International Limited (BVI)
Makel International (BVI) Limited (BVI)
Sinorinc Investments (BVI) Limited (BVI)
Maximum Rise Investments (BVI) Limited (BVI)
Richy Bright Investments (BVI) Limited (BVI)
Mega Build Investments (BVI) Limited (BVI)
Jolly Day Investments Limited (BVI)
Full Ambition Limited (BVI)
Heroic Ace Limited (HK)
Many Harvest Limited (HK)
Champion Luck Limited (HK)
Perfect Hero Limited (HK)
Wise Idea (BVI) Limited (BVI)
Glory Empire Overseas Limited (BVI)
Jet Wealth Limited (HK)
Well King Investments Limited (HK)
Linkan Enterprises Ltd (BVI)
Fame Way Holdings Limited (BVI)
Joint Smart Development Limited (HK)
Fervent Hero Limited (HK)
Grand Right Investments Limited (BVI)
Concept Master Limited (HK)
Big Natural Limited (HK)
Moral Place Holdings Limited (HK)
Heronic International Limited (HK)
Deluxe Star International Limited (HK)
Chapel Dawn Limited (HK)
Giant Stone Holdings Limited (HK)
Vibrate Light Limited (HK)
Well Lane Investments Limited (HK)
Conquer Power Investments Limited (HK)
Prestige City Developments Limited (HK)
Full Land Development Limited (HK)
Marco Rich International Limited (HK)
Zhongshan Agile Hotel Co., Ltd. (PRC)
A-Living Services Co., Ltd. (PRC)
Zhongshan A-Living Enterprise Management Services Co., Ltd. (PRC)
Zhongshan Fashion Decoration Co., Ltd. (PRC)
Shanghai Yaheng Real Estate Development Co., Ltd. (PRC)
Zhongshan Sanxiang Agile Hotel Management Co., Ltd. (PRC)
Zhongshan Nanlang Agile Hotel Management Co., Ltd. (PRC)
Guangzhou Agile Hotel Co., Ltd. (PRC)
Foshan Agile Hotel Co., Ltd. (PRC)
Straight Up Limited (BVI)
Hodson Investment Limited (BVI)
The Baroque On Lamma Group Limited (BVI)
Supreme Host Investments Limited (HK)
The Baroque On Lamma Limited (HK)
The Baroque On Lamma Yacht Club Limited (HK)
China Mart Development Limited (HK)
Zhuhai Lehuojia Information Technology Co., Ltd. (PRC)
Hubei Munianhua Furniture Co., Ltd. (PRC)
Guangdong Xinyi Furniture Co., Ltd. (PRC)
Extra Effort Global Limited (BVI)
Fuller Holdings Limited (BVI)
Fuyu Holdings Limited (BVI)
Pu Cheng Limited (BVI)
Rong Ze Limited (BVI)
Nanjing Zizhu Property Management Services Co., Ltd. (PRC)
Zhongshan Agile Security Services Co., Ltd. (PRC)
Zhuosen Property Management Co., Ltd. (PRC)
A-Living Investment Holdings (Hong Kong) Limited (HK)
Guangzhou Huadu Agile Property Management Services Co., Ltd. (PRC)
Guangzhou Agile Property Management Services Co., Ltd. (PRC)
Hainan Agile Property Services Co., Ltd. (PRC)
Beihai Yaheng Property Services Co., Ltd. (PRC)
Gongqingcheng Lexianghui Investment Co., Ltd. (PRC)
Guangzhou Yaxin Engineering Consultancy Co., Ltd. (PRC)
Longchuang A-Living Property Services Co., Ltd. (PRC)
Shandong A-Living Changbo Property Services Co., Ltd. (PRC)
Henan Agile Property Services Co., Ltd. (PRC)
Xuchang Yachou Property Services Co., Ltd. (PRC)
Guangdong Yingmei Yihao Equity Investment Partnership Enterprises (Limited Partnership) (PRC)
Mianyang Ruide Zhicai Education Technology Co., Ltd. (PRC)
Guangzhou Yafang Travel Co., Ltd. (PRC)
Harrogate Property Services (Shanghai) Co., Ltd. (PRC)
Guangzhou Yatao Advertisement Co., Ltd. (PRC)
Huoer Guosi Yatao Advertisement Co., Ltd. (PRC)
Guangzhou Harrogate Property Management Services Co., Ltd. (PRC)
Foshan Nanhai Agile Property Management Services Co., Ltd. (PRC)
Tianjin Agile Enterprise Management Services Co., Ltd. (PRC)
Guangdong Yingmei Liheng Investment Partnership Enterprises (Limited Partnership) (PRC)
Hainan A-Living Travel and Home Resort Apartment Management Co., Ltd. (PRC)
Tianjin Lexianghui Community Service Co., Ltd. (PRC)
Tianjin Yaxin Engineering Consultancy Co., Ltd. (PRC)
Zhuhai Hengqin Yaheng Engineering Consultancy Co., Ltd. (PRC)
Guangzhou Lexianghui Community Resident Service Co., Ltd. (PRC)
Guangzhou Lexianghui Community Resident Service Co., Ltd. (PRC)
Guangzhou Yuehua Property Services Co., Ltd. (PRC)
Yazhuo Real Estate Consultant Co., Ltd. (PRC)
Nantong Yazhuo Real Estate Marketing Co., Ltd. (PRC)
HK A-Tro Property Marking Co., Limited (HK)
Guangzhou Yazhuo Land Co., Ltd. (PRC)
Tengchong Yazhuo Real Estate Agent Co., Ltd. (PRC)
Shijiazhuang Yazhuo Real Estate Agent Co., Ltd. (PRC)
Shanghai Ludi Property Services Co., Ltd. (PRC)
Wulumuqi A-Living Ludi Property Services Co., Ltd. (PRC)
Guangzhou Yatian Network Technology Co., Ltd. (PRC)
Guangzhou Yatong Intelligence Technology Co., Ltd. (PRC)
Heilongjiang Yatian Network Technology Co., Ltd. (PRC)
Fushan A-Living Services Co., Ltd. (PRC)
Heyuan A-Living Services Co., Ltd. (PRC)
Lingshui A-Living Property Services Co., Ltd. (PRC)
Zhenjiang Yachou Property Management Co., Ltd. (PRC)
Zhongshan A-Living Services Co., Ltd. (PRC)
Hanzhong Yachou Property Management Co., Ltd. (PRC)
Chengdu A-Living Services Co., Ltd. (PRC)
Lanzhou Chengguan Property Services Group Co., Ltd. (PRC)
Guangzhou A-Living Services Co., Ltd. (PRC)
Zhengzhou A-Living Maohua Property Services Co., Ltd. (PRC)
Tianjin Yachao Enterprise Management Consultation Co., Ltd. (PRC)
Haerbin Jingyang Property Management Co., Ltd. (PRC)
Shenzhen Jingji Domestic Property Management Co., Ltd. (PRC)
Zhanjiang Xiyue Jingjicheng Property Services Co., Ltd. (PRC)
Tianjin Agile Zhuosen Asset Management Co., Ltd. (PRC)
Kaiping A-Living Property Management Co., Ltd. (PRC)
Zhanjiang Yaheng Property Services Co., Ltd. (PRC)
Qingdao Huaren Property Co., Ltd. (PRC)
Xian Yachou Property Management Co., Ltd. (PRC)
Lingshui Yaheng Property Services Co., Ltd. (PRC)
Lingshui Yachou Property Services Co., Ltd. (PRC)
Wenchang Yachou Property Services Co., Ltd. (PRC)
Chongqing A-Living Services Co., Ltd (PRC)
Zhengzhou Yachou Property Management Co., Ltd. (PRC)
Huzhou Yaheng Property Management Co., Ltd. (PRC)
Xishuangbanna Jinghong Yachou Property Services Co., Ltd. (PRC)
Tengchong Yachou Property Services Co., Ltd. (PRC)
Hainan Agile Property Holdings Limited (Cayman Islands)
Genuine Trend (BVI) Limited (BVI)
Bumper View Limited (BVI)
Festive Prosper Limited (BVI)
Wide Known Limited (BVI)
Cheer Sight Limited (BVI)
Keen Synergy Limited (BVI)
Bounty Crown Limited (BVI)
Build Trade (BVI) Limited (BVI)
Excel Elite Investments Limited (HK)
Union Faith Enterprises Limited (HK)
Grand Kingdom Investments Limited (HK)
Unique Metro Limited (HK)
Glory Faith Development Limited (HK)
Asia Glory Properties Limited (HK)
Hainan Agile Property Development (HK) Limited (HK)
Big Well Corporation Limited (HK)
Hainan Yahao Resort Co., Ltd. (PRC)
Excel Will Limited (BVI)
Genuine Power Limited (BVI)
Jingyu Investments Limited (BVI)
Rong Mao Limited (BVI)
Festive Path Limited (BVI)
Keen Well Limited (BVI)
Crown Voice Limited (BVI)
Champ Merit Limited (BVI)
Asian Faith Investments Limited (HK)
Fullmark Properties Limited (HK)
Keen City Investments Limited (HK)
Double Plus Development Limited (HK)
Eternal Luck Development Limited (HK)
Acemax Investment Limited (HK)
Bright Investment Development Limited (HK)

BUSINESS

OVERVIEW

We are a leading property developer in China. We focus primarily on the development of large-scale mixed-use property projects, with extensive presence in the businesses of property management, environmental protection, construction, real estate construction management and commercial. We believe our brand is well-recognized. We have received numerous awards and recognition, including most recently, "2018 Ranking of China's 100 Best Real Estate Enterprises" and "2018 Top 30 Listed China's Real Estate Enterprises 2018" by Guandian Real Estate New Media, "China Property Award of Supreme Excellence 2018" by Organizing Committee of China Property Award of Supreme Excellence, "Global Brand Awards — Best Property Development Brand (China)" by Global Brands magazine and "Corporate Social Responsibility Award 2018" by Capital magazine.

We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management and hotel operation services.

Our management team includes members with over 25 years of experience in the PRC real estate industry and has contributed to the growth of our business substantially since we first commenced property development activities in Guangdong Province in 1992. As of June 30, 2019, we had 160 projects within our land bank, 60 of which were located in Southern China region with a total GFA of approximately 10.6 million sq.m.; 46 in Eastern China region with a total GFA of approximately 6.8 million sq.m.; 11 in Western China region with a total GFA of approximately 3.1 million sq.m.; 18 in Central China region with a total GFA of approximately 3.3 million sq.m.; five in Hainan Province with a total GFA of approximately 5.0 million sq.m.; four in Yunnan Province with a total GFA of approximately 4.7 million sq.m.; two in Northeast China region with a total GFA of approximately 0.7 million sq.m.; 11 in Northern China region with a total GFA of approximately 1.6 million sq.m.; one in Hong Kong with a total GFA of approximately 0.002 million sq.m. and two in Kuala Lumpur of Malaysia with a total GFA of approximately 0.4 million sq.m. These 160 projects have an aggregate site area of approximately 51.4 million sq.m., and an aggregate GFA of approximately 36.2 million sq.m., which includes an aggregate GFA of approximately 1.2 million sq.m. of completed properties, an aggregate GFA of approximately 16.0 million sq.m. of properties under development and an aggregate GFA of approximately 19.1 million sq.m. of properties held for future development. We have obtained land use rights certificates for each of these 160 projects. As of June 30, 2019, we had also entered into contracts to acquire additional parcels of land with a total site area of 1.5 million sq.m. and an aggregate GFA of projects of 3.1 million sq.m. We were in the process of applying for the land use rights certificates or the land titles with respect to such land.

For 2016, 2017 and 2018 and the first half of 2019, the total GFA sold was approximately 5.1 million sq.m., 4.7 million sq.m., 4.7 million sq.m. and 1.9 million sq.m., respectively. For 2016, 2017 and 2018 and the first half of 2019, we recorded sales revenue from property development of RMB44,751.8 million, RMB49,261.8 million, RMB52,487.7 million (US$7,645.7 million) and RMB24,685.1 million (US$3,595.8 million), respectively, and the net profit attributable to our equity holders was approximately RMB2,283.6 million, RMB6,025.2 million, RMB7,125.0 million (US$1,037.9 million) and RMB5,076.7 million (US$739.5 million), respectively.

Since 2006, we have begun to expand our property development business to strategically selected cities outside the Southern China Region to other parts of China and overseas. We intend to continue the expansion of our presence in markets outside the Southern China region while maintaining our core focus in Southern China. We initiated our tourism property business in the Hainan and Yunnan region in 2007 and 2012, respectively, in order to leverage the thriving tourism industry in these provinces to attract purchasers of vacation homes. In 2014, we further expanded our business outside of China with our first overseas project in Malaysia. In 2017, we acquired a project in Hong Kong. On a selective basis, we also engage in other complementary businesses, such as property management, the development and management of hotels, investment properties, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property projects. On February 9, 2018, A-Living Services Co., Ltd. ("A-Living"), which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company, which we believe allows us to capitalize on our brand and further diversify the platforms through which we offer value-added services. As of June 30, 2019, the total GFA under management was 211.2 million sq.m. As of June 30, 2019, we have eight hotels, three major shopping malls and one office building in operation. For the six months ended June 30, 2019, revenue from our hotel operations was RMB352.9 million (US$51.4 million) and revenue from our property investment was RMB97.8 million (US$14.2 million).

In recent years, we have entered into the environmental protection business to further diversify our sources of income and organically add value to our property development and management projects. Our environmental protection business primarily involves hazardous waste treatment, water treatment and common solid waste treatment. See "*Business — Environmental Protection*." We also launched our real estate construction management business and completed the integration and restructuring of the construction business in 2018. See "*Business — Construction*" and "*Business — Real Estate Construction Management.*"

We are a constituent stock of the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Stock Connect Hong Kong Index Series, the Hang Seng High Dividend Yield Index, the Hang Seng Mainland China Companies High Dividend Yield Index, the Hang Seng Mainland Properties Index, the Hang Seng High Beta Index, the Hang Seng China (Hong Kong-listed) 100 Index, the MSCI China Index and the Lippo Select HK & Mainland Property Index.

The following table sets forth the geographical distribution of our 160 projects in terms of GFA completed, GFA under development and GFA held for future development within the land bank as of June 30, 2019:

	GFA Completed		GFA under Development		GFA Held for Future Development		Total	
	sq.m.	%	sq.m.	%	sq.m.	%	sq.m.	%
Southern China Region	480,556	41.3	3,809,490	23.8	6,343,780	33.3	10,633,826	29.4
Eastern China Region	200,520	17.2	2,968,506	18.6	3,645,898	19.1	6,814,925	18.8
Western China Region	13,322	1.2	1,577,438	9.9	1,468,699	7.7	3,059,459	8.4
Central China Region	47,404	4.1	1,973,460	12.3	1,236,138	6.5	3,257,002	9.0
Hainan Region	332,028	28.5	2,908,935	18.2	1,724,557	9.1	4,965,520	13.7
Yunnan Region	89,263	7.7	959,609	6.0	3,697,832	19.4	4,746,704	13.1
Northeast China Region	200	0.0	698,730	4.4	46,844	0.2	745,774	2.1
Northern China Region	—	—	728,661	4.6	893,716	4.7	1,622,377	4.5
Hong Kong	—	—	—	—	1,887	0.0	1,887	0.0
Overseas	—	—	358,334	2.2	—	—	358,334	1.0
	1,163,294	100.0	15,983,162	100.0	19,059,351	100.0	36,205,808	100.0

Recent Developments

Issuance of the October 2019 Perpetual Securities

On October 31, 2019, we issued the October 2019 Perpetual Securities in an aggregate principal amount of US$500 million. See "*Description of Other Material Indebtedness — October 2019 Perpetual Securities.*"

Repurchase and Resale of Non-public Domestic Corporate Bonds

On October 11, 2019, we completed the repurchase of non-public domestic corporate bonds in an aggregate principal amount of RMB570,000,000 (US$83.0 million) which we issued on September 29, 2016 at an initial coupon rate of 4.60% per annum due 2021. We resold all such non-public domestic corporate bonds that we repurchased after the completion of the repurchase.

Acquisition of Equity Interest in CMIG PM and NEW CMIG PM

On September 25, 2019, Tianjin Yachao Enterprise Management Consulting Co., Ltd. 天津雅潮企業管理諮詢有限公司 ("Tianjin Yachao"), an indirect wholly-owned subsidiary of A-Living, as the purchaser, entered into an agreement (the "CMIG PM Agreement") with Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership) 廣東豐信盈隆股權投資合夥企業(有限合夥) ("Guangdong Fengxin Yinglong"), as the vendor. Pursuant to the CMIG PM Agreement, Tianjin Yachao had conditionally agreed to acquire, and Guangdong Fengxin Yinglong had conditionally agreed to dispose of (i) the 60% equity interest in CMIG Futurelife Property Management Limited (中民未來物業服務有限公司) ("CMIG PM") held by Guangdong Fengxin Yinglong at the consideration of RMB1,560,000,000; and (ii) the 60% equity interest in a new company (the "New CMIG PM") to be established Guangdong Fengxin Yinglong and CMIG Futurelife Holdings Group Company Limited (中民未來控股集團有限公司) at the variable consideration subject to the maximum amount of RMB500,000,000.

Change of Company Secretary and Authorized Representative

Mr. Lam Ping Yuk resigned as our company secretary, authorized representative under the Listing Rules and authorized representative for the purpose of accepting service of process and notices in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from September 1, 2019.

Mr. Cheung Lap Kei was appointed as the company secretary, authorized representative under the Listing Rules and authorized representative for the purpose of accepting service of process and notices in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from September 1, 2019. For details, see "*Management.*"

August 2019 Facility

On August 28, 2019, we and certain of our subsidiaries entered into a facility agreement (the "August 2019 Facility") with certain financial institutions. Pursuant to such facility agreement, a term loan facility comprising of two tranches of HKD1,170 million and USD100 million (with a greenshoe option of USD500 million or HKD equivalent) with a term of 36 months has been granted to the Company at the rate of interest equivalent to the aggregate of a margin rate of 3.25% per annum plus the Hong Kong interbank offered rate for Hong Kong Dollars on the relevant date, in respect of the loan in HKD, or the London interbank offered rate administered by ICE Benchmark Administration Limited on the relevant date, in respect of the loan in USD.

Repurchase and Resale of Domestic Corporate Bonds

On July 12, 2019, we completed the repurchase of domestic corporate bonds in an aggregate principal amount of RMB351.0 million (US$51.1 million) which we issued on July 12, 2017 at a coupon rate of 6.98% per annum due 2020. We resold all such domestic corporate bonds that we repurchased after the completion of the repurchase.

Redemption of the 2013 Perpetual Securities

On June 11, 2019, we informed Citicorp International Limited, as trustee, and holders of the 2013 Perpetual Securities, that all outstanding 2013 Perpetual Securities will be redeemed in full on the next distribution payment date of July 18, 2019, at the redemption amount being the outstanding principal amount of the 2013 Perpetual Securities plus accrued distributions for the period from (and including) January 18, 2019 to (but excluding) July 18, 2019. On July 18, 2019, we redeemed an aggregate principal amount of US$700,000,000 of all of the outstanding 2013 Perpetual Securities at the redemption price equal to the principal amount thereof, plus accrued distributions for the period from (and including) January 18, 2019 to (but excluding) the July 18, 2019. The total redemption price paid by us on July 18, 2019 amounted to US$735,756,000. We applied to the Hong Kong Stock Exchange for the withdrawal of listing of the 2013 Perpetual Securities. Such withdrawal of listing became effective on July 26, 2019.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

Market leadership with a well-established track record

We are a leading property developer in China. According to research institutes such as the CRIC Research Center, we have been among the top 30 PRC property developers in terms of pre-sales in 2018. We are one of the key players in Southern China region and our key markets include cities such as Zhongshan, Guangzhou, Huizhou and Foshan. Our sales performance in these cities remain strong. In Zhongshan, several of our projects ranked top 10 in the local market in terms of number of units sold in

2018 according to Hopefluent Group Holdings Limited (stock code: 733), a comprehensive real estate service provider. In Guangzhou, we were one of the top 20 property developers in terms of presale amount in the local market in 2018 according to CRIC Research Center. In Huizhou, we were one of the top 10 property developers in terms of presales value and GFA pre-sold in the local market in 2018 according to CRIC Research Center. In 2016, 2017 and 2018 and the first half of 2019, recognized sales from Southern China region accounted for 51.0%, 40.5%, 34.5% and 32.4% of our revenue during these periods, respectively.

Since 2006, we have begun to expand outside of Southern China region to other parts of China and overseas. We have established our tourism property business in Hainan and Yunnan Provinces. Sales contribution from our tourism property business in Hainan and Yunnan Provinces and from outside of Southern China region have since grown steadily. In 2016, 2017 and 2018 and the first half of 2019, recognized sales from our tourism property business accounted for 20.1%, 29.2%, 25.4% and 11.8% of our revenue during these periods, respectively, and sales from other regions outside of Southern China region and Hainan and Yunnan region accounted for 28.9%, 30.3%, 40.1% and 55.8% of our revenue during same periods, respectively.

Diversified, sizeable and low-cost land bank

As of June 30, 2019, we had 160 projects within our land bank, 60 of which were located in Southern China region with a total GFA of approximately 10.6 million sq.m.; 46 in Eastern China region with a total GFA of approximately 6.8 million sq.m.; 11 in Western China region with a total GFA of approximately 3.1 million sq.m.; 18 in Central China region with a total GFA of approximately 3.3 million sq.m.; five in Hainan Province with a total GFA of approximately 5.0 million sq.m.; four in Yunnan Province with a total GFA of approximately 4.7 million sq.m.; two in Northeast China region with a total GFA of approximately 0.7 million sq.m.; 11 in Northern China region with a total GFA of approximately 1.6 million sq.m.; one in Hong Kong with a total GFA of approximately 0.002 million sq.m. and two in Kuala Lumpur of Malaysia with a total GFA of approximately 0.4 million sq.m. These 160 projects have an aggregate site area of approximately 51.4 million sq.m., and an aggregate GFA of approximately 36.2 million sq.m., which includes an aggregate GFA of approximately 1.2 million sq.m. of completed properties, an aggregate GFA of approximately 16.0 million sq.m. of properties under development and an aggregate GFA of approximately 19.1 million sq.m. of properties held for future development.

Most of our projects are located in municipalities and provincial capital cities, other second-tier and third-tier cities, and cities in the Hainan and Yunnan Provinces that are popular tourist destinations, where the respective property markets are still expanding and are less affected by macroeconomic control measures implemented by the PRC government as compared to first-tier cities, which afford us greater flexibility in adapting to the changes in market conditions. We also have projects located in first-tier cities in Beijing, Guangzhou and Shanghai. In addition, as of June 30, 2019, we had entered into contracts to acquire additional parcels of land with a total site area of 1.5 million sq.m. and an aggregate GFA of projects of 3.1 million sq.m. We were in the process of applying for the land use rights certificates or the land titles with respect to such land parcels. 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 or reasonable prices. For 2016, 2017 and 2018 and the first half of 2019, our total land costs transferred to cost of sales amounted to approximately RMB8,336.5 million, RMB6,872.3 million, RMB7,432.1 million (US$1,082.6 million) and RMB4,996.8 million (US$727.9 million), or 18.6%, 14.0%, 14.2% and 20.2%, respectively, of our sales revenue from property development. 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 brand name recognition and a wide spectrum of high-quality products

We believe we have established a reputation as a provider of quality residential properties and comprehensive customer services with over 25 years of successful track record in the Chinese real estate sector. Numerous awards and recognition have been granted to recognize our success in this area. The more recent awards and recognition we received include, "2018 Ranking of China's 100 Best Real Estate Enterprises" and "2018 Top 30 Listed China's Real Estate Enterprises" by Guandian Real Estate New Media, "China Property Award of Supreme Excellence 2018" by Organizing Committee of China Property Award of Supreme Excellence and "Global Brand Awards — Best Property Development Brand (China)" by Global Brands Magazine. For 2016, 2017 and 2018 and the first half of 2019, we spent approximately RMB887.7 million, RMB620.7 million, RMB676.1 million (US$98.5 million) and

RMB339.0 million (US$49.4 million), respectively, on advertising. We use various marketing methods to reach potential customers, including advertising through traditional media such as television and newspapers, online media as well as sponsoring performances and other public events.

We have pursued a long term strategy of providing high-quality properties in a healthy and scenic living environment. A substantial portion of our property developments are located in suburban neighborhoods approximately a 15-to-30 minute drive from the urban centers, combining the more spacious and pleasant living environment in suburban areas with convenient access to transportation networks. Many of our projects are adjacent to natural scenery such as mountains, sea and lakes. For example, we expanded our operations into Yunnan Province with plans of developing property in popular tourist destinations to attract purchasers of vacation homes, given the region's pleasant weather, natural offerings of hot springs and red wood forests and local production of jade, gemstones, tobacco and tea. We also selected main sites for development in anticipation of local governments' plans for investing in transportation, tourist attractions and other public infrastructure, which we believe will enhance the desirability and growth potential of properties in the area.

We devote significant efforts to design and landscaping. We endeavor to design and create a modern living experience that is integrated with the surrounding environment. Our internal design team works closely with internationally and nationally renowned architects and designers. The collaboration has resulted in successful and thoughtful designs, such as man-made lagoons and residential units offering panoramic lake views. In most of our projects, there are areas specifically designated for children and the elderly. Some of our large developments such as Agile Mountain Guangzhou and Agile Garden Huiyang also have hill-top parks. We believe these characteristics distinguish our properties from those of our competitors. We offer a wide spectrum of products including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments. The majority of our products cater to end users including both first time home purchasers and upgraders. We have also developed several high-end residential projects and tourism property projects which target high-income households and purchasers of vacation homes, respectively. Our wide product range has allowed us to cater to the demands of a broad customer base and to respond effectively and rapidly to changing market conditions, thereby increasing our chance to secure demand for upgrades from our existing customers as their purchasing power improves.

Stable income from other segments

On a selective basis, we have also engaged in other businesses, such as property management, environmental protection, construction, real estate construction management and commercial, with a view to dispersing operational risks, and generating steady income. We have laid the foundation of our property management business by contracting to manage substantially all of our properties since the 1990s. Since 2015, we have made continuous effort to obtain contracts to manage properties developed by independent property developers and have developed a mature business model. For 2016, 2017 and 2018 and the first half of 2019, revenue generated from property management were RMB1,068.5 million, RMB1,290.1 million, RMB2,132.8 million (US$310.7 million) and RMB1,504.6 million (US$219.2 million), respectively. On February 9, 2018, A-Living, which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company. We have also been cautiously developing a commercial property portfolio including hotels, shopping malls and office buildings, which enhances the value and creates synergies for our nearby residential developments and generate additional recurring income for us. As of June 30, 2019, we had eight hotels, three major shopping malls and one office building in operation. For 2016, 2017 and 2018 and the first half of 2019, revenue from hotel operations were RMB670.0 million, RMB683.9 million, RMB721.7 million (US$105.1 million) and RMB352.8 million (US$51.4 million), respectively. In 2016, 2017 and 2018 and the first half of 2019, rental income from our investment properties, consisting of shopping malls and office buildings, amounted to RMB188.6 million, RMB166.5 million, RMB189.0 million (US$27.5 million) and RMB97.8 million (US$14.2 million), respectively.

Extensive experience in large-scale multi-phase developments

We specialize in developing large-scale property projects in multiple phases, providing residents with a large residential community equipped with comprehensive facilities and amenities such as club houses, schools, shopping areas, restaurants and various sport facilities. Large-scale multi-phase residential developments not only allow us to benefit from economies of scale but also allow us to monitor market acceptance of our projects and receive early and ongoing customer feedback, thereby enabling us to adjust our product offerings and related property designs in response to the changing market demand. Moreover, we believe phase-by-phase development generally achieves higher selling prices and better profit margins in later development phases as the overall living environment improves with the maturity of such projects. Over the past 25 years, we believe we have accumulated the necessary skills, knowledge and experience to manage the development and sales of large scale multi-phase projects. Examples of large scale multi-phase projects include, among others, our La CitéGreenville Zhongshan (which was launched in 2002 with a site area of approximately 2.0 million sq.m.), Agile Garden Huiyang (which was launched in 2015 with a site area of approximately 1.2 million sq.m.), Agile Garden Chengdu (which was launched in 2007 with a site area of approximately 1.3 million sq.m.), Agile Dream Lake Fairy Hill Changzhou (which was launched in 2017 with a site area of approximately 0.7 million sq.m.), Agile Eden Yunnan (which was launched in 2013 with a site area of approximately 2.4 million sq.m.), Hainan Clearwater Bay (which was launched in 2009 with a site area of approximately 10.7 million sq.m.) and Agile champion Town Weihai (which was launched in 2019 with a site area of approximately 2.3 million sq.m.). Large-scale multi-phase projects generally require several years for development and completion and offer a wide variety of products and facilities, including villas, townhouses, mid- to high-rise apartments, services apartments, hotels and resorts and different ancillary facilities such as yacht club, shopping mall, commercial streets and schools.

Strong corporate governance and experienced management

Our management team comprises some individuals with over 25 years' experience in the PRC real estate industry. Mr. Chen Zhuo Lin, our Chairman, President and founder, received several honorary awards, including ''World Outstanding Chinese Award (世界傑出華人獎)'', ''Top 30 Chinese Philanthropists in 30 Years of Reform (改革開放30年，華人慈善30人)'', ''China Philanthropy Outstanding Contribution Individual Award (中華慈善突出貢獻人物獎)'', Top 10 Persons of the Year for China Enterprise Management Excellence Award (中國企業十大卓越管理年度人物)'', ''Year of the People in Education of Zhongshan (中山教育年度人物)'' and ''Honorary Resident in Zhongshan (中山市榮譽市民)''. Mr. Chan Cheuk Hung, our executive Director and Vice President, has received several honorary awards, including ''Honorary Resident in Foshan (佛山市榮譽市民)'' and ''Community Construction Outstanding Contribution Award (小區建設突出貢獻獎)'' in National Xiaokang Housing Demonstration Community Competition (國家小康住宅示範小區評比) hosted by Ministry of Construction (國家建設部) in 2000. Most of the other key members of the board of directors of the Company (the ''Board'') have served our Company since 1990s, and some senior management has worked with us for more than 10 years. We believe the stability of our management team and its extensive experience, industry knowledge and in-depth understanding of the property market enable us to continue to take advantage of future business opportunities and expand into new markets.

In order to improve overall operational efficiency, we have adopted a two-tiered management structure split between central management and regional offices. Central management formulates overall strategy, establishes standard operating procedures, policies and operational targets, controls the capital transfer, and is responsible for the standardization of products. Regional offices oversee the execution of regional businesses and carry out the day-to-day operations of their respective projects. We believe our centralized management system optimizes our capacities and resources, enhances our negotiating power with suppliers and contractors and facilitates the sharing of resources and expertise among various projects. With the expanding scale and scope of our business, in order to enhance our operating efficiency, the regional offices have been given higher degree of autonomy and greater flexibility in day-to-day operations. In addition, we have been investing in state-of-the-art technologies and computer systems to support and integrate the operations and decision-making process. In particular, our award-winning Enterprise Resource Planning platform and its implementation over the past few years has been key to the management control of our cost control, sales and marketing as well as finance departments.

In light of the on-going market changes in recent years, we have been adopting a steady and responsible policy for our operations and development and aim to maintain effective and prudent corporate governance and continue to improve our internal monitoring and control system. We believe sound and prudent corporate governance will enhance our credibility and transparency.

BUSINESS STRATEGIES

We plan to further diversify our ''1+N'' business model, which is to strengthen our position in the property development business and accelerate the development of other businesses. We are also aiming to improve our execution, operational efficiency and overall management quality. We intend to achieve our overall business objectives by pursuing the following strategies:

Optimize land bank with an active but prudent land acquisition strategy

A premium land bank is the cornerstone of the property business. We intend to further improve our geographic diversification by adopting an active but prudent land acquisition strategy, with priority given to cities located in regions where we saw long-term strong sales performance and competitive edge, as well as in first- and second-tier cities and quality satellite third-tier cities in core city clusters. We consider those cities to be the fast developing regions in China with great economic growth potential and expect a strong demand for housing in these regions over the mid- to long-term. We believe we benefit from our well-established brand reputation in these regions. Historically, we have acquired most of our land through tender, auction and listing-for-sale. Since 2016, we have acquired land parcels through equity acquisitions in order to replenish our land bank at a more competitive price. We will continue to replenish our land bank strategically with an aim to maintain steady and sustainable growth of our property development business. We will also seek to develop featured towns projects and urban renewal projects so as to further expand our market share.

Enhance overall management to maximize profits

We aim to enhance our overall management and execution capability by further streamlining the decision-making process and strengthening control on expenses with a focus on efficiency and sustainable growth. We will continue to control costs through product standardization and will implement strict construction management to ensure effective management of resources for sales. We will continue adopting a multi-pronged strategy in promoting project development efficiency and lowering inventory level through sales-based production and dynamic adjustments. We believe, with these measures, we will be able to maximize profits for our property development business.

Further expand A-Living with diversified value-added services

We intend to expand our property management business and further increase our market share in this industry. Leveraging our experience in managing our own properties, we have obtained contracts to manage properties developed by independent property developers since 2015. We will continue to increase the total contracted GFA under our management by obtaining more new property management contracts. At the same time, we intend to selectively explore strategic investment and acquisition opportunities to further enhance our property management business. In June 2017, A-Living acquired Shanghai Greenland Property Services Co., Ltd. from Greenland Group. In August 2017, Greenland Group became the long-term strategic shareholder of A-Living through the capital injection in A-Living. We also intend to devote more resources to improve the services of our ''A-Steward'' online platform, to further improve the quality of life of residents of the properties we manage. On February 9, 2018, A-Living was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company. In 2018, A-Living fully re-organized our existing business lines to form a new landscape of integrated development of three business segments, namely the ''property management services'', ''asset management services'' and ''community commercial services''. We also deepened the development model of ''focusing on property management while developing a variety of other businesses'', and recorded historic breakthroughs in the first year after the Listing of A-Living with leapfrog growth in various operational indicators, stable furtherance of investment and mergers and acquisitions, and ranked top 10 in the PRC in terms of its comprehensive strength and was awarded the ''TOP 8 Property Management Companies of the PRC in terms of Comprehensive Strength''. We believe our property management business may further profit from our efforts to increase the amount of total contracted GFA under our management and improve popularity of our online platform.

Increase our competitive edge in other businesses, including A-Living, environmental protection, construction, real estate construction management and commercial

We will further drive our diversified development and increase our competitive edge in other businesses including A-Living, environmental protection, construction, real estate construction management and commercial. In respect of environmental protection, we have established diversified environmental protection business covering hazardous waste treatment, water treatment and common solid waste treatment. We will continue to acquire premium projects, with a view to increasing its contribution to our profit while ensuring long-standing and steady operation and sustainable development. In respect of construction business, we plan to leverage our expertise in home decoration and landscape planning and design to further reinforce the industry position and expand our business on an on-going basis. In respect of real estate construction management business, we will fully capitalize on the strength of our brand to develop agent construction business with Agile's characteristics while continuing to acquire premium real estate construction management projects. In respect of commercial business, we will further integrate our existing assets and adjust the development direction for commercial, office, hotel and self-used properties in light of the market environment, with a view to expanding our scale, increasing our revenue and contribution to the Group's income.

Strengthen our brand recognition nationwide and overseas

We intend to continue to strengthen our established brand name both in and outside China. A key factor to our brand-building effort is to continuously focus on the value of our properties by providing high-quality products, stylish design and comprehensive property management services to create a comfortable modern living experience. We believe customer satisfaction and referrals have been and will continue to be an effective channel to enhance our reputation. In addition, we intend to strengthen our brand image and market awareness overseas through developing property projects with international business partners. In 2014, we partnered with PJD Development Holdings Berhad and Tropicana Corporation Berhad respectively to develop two projects in Kuala Lumpur, Malaysia. We also continue to operate two renowned brands, Agile Property Management and Greenland Property Services, through our recently listed subsidiary A-Living.

DESCRIPTION OF PROPERTY DEVELOPMENTS

As of June 30, 2019, we had 160 projects at various stages of development within our land bank (as listed below), 60 of which were located in Southern China region; 46 in Eastern China region; 11 in Western China region; 18 in Central China region; five in Hainan Province; four in Yunnan Province; two in Northeast China region; 11 in Northern China region; one in Hong Kong and two in Kuala Lumpur of Malaysia. From time to time we review and consider potential projects for development in various cities in mainland China. We divide our property developments into three categories: (i) completed properties; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments, one project may include different phases that are at various stages of development and completion. As of June 30, 2019, we had, in terms of GFA of our 160 projects within our land bank, completed but undelivered properties of approximately 1.2 million sq.m., properties under development of approximately 16.0 million sq.m. and properties held for future development of approximately 19.1 million sq.m.

We seek to replenish our land reserves on a continuous basis and generally have on-going land acquisitions at various stages of the acquisition process. Apart from the 160 projects, as of June 30, 2019, our project companies signed land grant or transfer documents or held other forms of interest with respect to 17 projects with an aggregate site area of approximately 1.5 million sq.m. and an aggregate GFA of projects of 3.1 million sq.m. We cannot, however, assure you that we will be able to obtain the land use rights certificates or the land titles in respect of these pieces of land in a timely manner, or at all.

A property development is considered completed when we have received completion certificates or reports from the relevant construction authorities. These certificates are typically issued when we have obtained approval certificates from the bureaus of zoning, fire services and environmental protection, signed guarantees of construction quality from contractors and other documents required by applicable laws and regulations. A property is considered to be under development immediately following the issuance of the Notice to Proceed with Civil Engineering Project with respect to the property and before completion of the property. Typically, we issue the Notice to Proceed with Civil Engineering Project to our contractors to commence the construction works after we have applied for construction to the local authorities.

The site area information of an entire project is based on the relevant land use rights certificates. The aggregate GFA of an entire project is calculated by multiplying its site area by the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project or such lower plot ratio that we reasonably expect to be able to develop for such project. Unlike the above-ground and semi-underground car parks, underground car parks generally are not included in a project's total GFA. The aggregate GFA of a project includes both saleable and non-saleable GFA. Saleable GFA refers primarily to the areas of residential units (including internal floor area and common areas in the building that are exclusively allocated to such residential units) and retail shops. Non-saleable GFA refers to certain communal facilities, including, among others, club houses and schools.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. A property is pre-sold when we have executed the purchase contract but physical delivery of the property to the purchaser has not been made. GFA with respect to which revenues are recognized in any given period is based on our internal records. Information regarding land costs and development costs in this offering memorandum is based solely on our internal records or estimates.

The table below sets forth certain information of our 160 projects as of June 30, 2019.

No.	Project Name	Location	Aggregate Site Area	Aggregate GFA of the Project	Land Bank (sq.m.) *(Note 1)* Total Planned GFA	Development Stage (B) Completed	Under Development	Held for Future Development	Interests Attributable to the Group *(Note 5)*
			(sq.m.)	(sq.m.)	(sq.m.) (A)	(B1)	(B2)	(B3)	
Southern China Region									
1	Agile Cambridgeshire Guangzhou	Guangzhou	624,701	1,128,255	522	522	—	—	100%
2	Guangzhou Asian Games City Project *(Note 2)*	Guangzhou	2,640,000	4,380,000	687,115	59,012	342,772	285,331	26.66%
3	Agile Mountain Guangzhou	Guangzhou	306,812	613,624	1,641	1,641	—	—	100%
4	Agile Haizhu Xiaoya Guangzhou	Guangzhou	13,660	68,121	8,889	8,889	—	—	100%
5	Guangzhou Liwan District Project	Guangzhou	21,908	91,656	91,656	—	91,656	—	100%
Guangzhou Subtotal			3,607,081	6,281,656	789,823	70,064	434,428	285,331	
6	La Cité Greenville Zhongshan	Zhongshan	1,970,275	1,889,961	8,897	8,897	—	—	100%
7	Metro Agile Zhongshan	Zhongshan	1,476,285	3,519,253	532,963	128,105	—	404,858	100%
8	Grand Garden Zhongshan	Zhongshan	96,374	150,357	523	523	—	—	100%
9	Royal Residence Zhongshan	Zhongshan	15,968	16,144	2,495	2,495	—	—	100%
10	Zhongshan Minzhong Town Project	Zhongshan	63,450	95,175	95,175	—	—	95,175	100%
11	Agile Cambridgeshire Zhongshan	Zhongshan	375,357	1,444,668	444,451	75,794	—	368,657	100%
12	Agile Royal Mount Zhongshan	Zhongshan	563,253	1,126,505	3,964	3,964	—	—	100%
13	Beautiful Lake Zhongshan *(Note 2)*	Zhongshan	111,060	66,636	391	391	—	—	50%
14	Zhongshan Kunlun Hotel Project	Zhongshan	29,267	87,801	87,801	—	—	87,801	100%
15	Agile Coastal Pearl Zhongshan	Zhongshan	338,892	677,782	1,606	1,606	—	—	100%
16	Zhongshan Haotousha Project	Zhongshan	83,483	166,966	166,966	—	—	166,966	100%
17	Agile River Pearl Zhongshan	Zhongshan	27,868	69,316	33,088	33,088	—	—	100%
18	Crescent Hill Center City Zhongshan *(Note 2)*	Zhongshan	181,667	454,167	188,939	—	188,939	—	50%
19	Zhongshan Nanlong Tianlu Project *(Note 2)*	Zhongshan	65,776	98,664	49,332	—	—	49,332	50%
20	Zhongshan Dongcheng Lufeng Project *(Note 2)*	Zhongshan	162,795	347,086	173,543	—	—	173,543	50%
21	Mont Orchid Riverlet Zhongshan *(Note 3)*	Zhongshan	131,863	395,588	345,588	—	198,448	147,140	60%
22	Agile Diyin Lake Town Zhongshan *(Note 2)*	Zhongshan	478,955	823,803	362,079	1,154	18,030	342,895	50%
23	Weilan Siji Zhongshan (Formerly known as Zhongshan Huashengtang Project) *(Note 2)*	Zhongshan	40,865	122,596	61,298	—	61,298	—	50%
24	Zhongshan Bosheng Project *(Note 2)*	Zhongshan	45,016	118,564	59,282	—	25,796	33,486	50%
25	The Leading World Zhongshan *(Note 2)*	Zhongshan	35,993	71,986	35,726	35,726	—	—	50%
26	Zhongshan Shenzhong Project *(Note 2)*	Zhongshan	180,718	451,795	225,898	—	—	225,898	50%
27	Zhongshan Hehua Hotel Project *(Note 2)*	Zhongshan	64,536	129,072	64,536	—	—	64,536	50%
28	Agile Starry Jade Zhongshan (Formerly known as Zhongshan Shenwan Town Project) *(Note 2)*	Zhongshan	47,097	117,742	17,661	—	17,661	—	15%
29	Agile City of Lohas Zhongshan	Zhongshan	69,808	104,712	104,712	—	63,270	41,442	100%
30	Zhongshan Dongfeng Town Project	Zhongshan	669,960	1,490,400	1,490,400	—	149,809	1,340,591	100%
Zhongshan Subtotal			7,326,581	14,036,739	4,557,313	291,743	723,251	3,542,319	
31	Agile International Garden Zhuhai	Zhuhai	83,997	206,494	206,494	—	109,672	96,822	100%
Zhuhai Subtotal			83,997	206,494	206,494	—	109,672	96,822	

					Land Bank (sq.m.) *(Note 1)*				
						Development Stage (B)			Interests
No.	Project Name	Location	Aggregate Site Area	Aggregate GFA of the Project	Total Planned GFA	Completed	Under Development	Held for Future Development	Attributable to the Group *(Note 5)*
			(sq.m.)	(sq.m.)	(sq.m.) (A)	(B1)	(B2)	(B3)	
32	Park Irisation Jiangmen *(Note 2)*	Jiangmen	44,033	110,083	56,142	—	56,142	—	51%
33	Jiangmen Xinhui District Project	Jiangmen	29,372	63,525	63,525	—	—	63,525	100%
34	Agile Chairman Taishan *(Note 3)*	Jiangmen	29,257	73,142	73,142	—	73,142	—	45%
35	Agile Garden Taishan	Jiangmen	58,411	146,026	146,026	—	146,026	—	100%
36	Taishan Taicheng District Project	Jiangmen	34,387	96,284	96,284	—	—	96,284	100%
Jiangmen Subtotal.			195,460	489,060	435,119	—	275,310	159,809	
37	Majestic Garden Nanhai	Foshan	601,230	859,757	29,920	29,920	—	—	100%
38	Agile Personage Nanhai	Foshan	44,786	143,315	702	702	—	—	100%
39	Agile Sunday Nanhai.	Foshan	35,337	88,342	88,342	—	88,342	—	100%
40	Agile Peninsula Sanshui	Foshan	140,261	370,653	188	188	—	—	100%
41	Agile Chairman Sanshui *(Note 2)*	Foshan	64,599	245,190	60,294	5,126	55,168	—	50%
42	Agile Pleasure Mansion Sanshui *(Note 2)*	Foshan	79,015	252,846	83,424	—	52,600	30,824	33%
43	Qingyue Shunde *(Note 2)* . . .	Foshan	81,455	203,638	81,440	—	22,480	58,960	40%
44	Agile Garden Shunde.	Foshan	212,410	488,500	1,529	1,529	—	—	100%
45	Agile Mix City Shunde	Foshan	62,515	143,126	143,126	—	143,126	—	100%
46	Agile Cambridgeshire Shunde *(Note 2)*	Foshan	110,833	310,332	155,166	—	124,679	30,487	50%
47	Emerald Park Foshan *(Note 2)*	Foshan	81,136	243,407	80,324	—	46,219	34,105	33%
Foshan Subtotal			1,513,576	3,349,106	724,455	37,465	532,614	154,376	
48	Agile Egret Lake Huizhou. . .	Huizhou	2,000,000	2,000,000	804,780	33,839	—	770,941	100%
49	Agile Chairman Huizhou. . . .	Huizhou	30,192	66,420	525	525	—	—	100%
50	Agile Garden Huiyang *(Note 2)*	Huizhou	1,248,191	2,995,658	1,328,856	6,267	473,550	849,039	66%
Huizhou Subtotal			3,278,383	5,062,078	2,134,161	40,631	473,550	1,619,980	
51	Agile Garden Heyuan	Heyuan	1,364,741	2,729,481	68,127	5,544	62,583	—	100%
52	Agile Kylin Mansion Heyuan (Formerly known as Heyuan Yuancheng District Project)	Heyuan	113,202	283,006	283,006	—	194,063	88,943	100%
53	Agile Chairman Shantou	Shantou	78,193	351,869	351,390	35,044	112,542	203,804	100%
54	Agile Costal Pearl Shanwei . .	Shanwei	183,407	416,914	416,914	—	253,223	163,691	100%
55	Fenghui Meizhou *(Note 2)*. . .	Meizhou	44,774	116,412	58,206	—	58,206	—	50%
Eastern Guangdong Subtotal.			1,784,317	3,897,682	1,177,643	40,588	680,617	456,438	
56	Agile Honorable Mansion Zhanjiang	Zhanjiang	20,058	60,027	60,027	—	60,027	—	100%
57	Agile City Pearl Maoming *(Note 3)*	Maoming	21,463	64,390	64,390	—	64,390	—	90%
58(A)	Ellite Residence Yunfu Project A *(Note 2)*.	Yunfu	112,669	338,006	169,003	—	169,003	—	50%
58(B)	Ellite Residence Yunfu Project B *(Note 3)*.	Yunfu	44,069	132,222	132,222	—	132,222	—	50%
Western Guangdong Subtotal			198,258	594,644	425,642	—	425,642	—	
59	Agile International Financial Center Nanning *(Note 2)* .	Nanning	78,721	432,860	88,360	60	59,590	28,706	50%
60	Beihai Golden Bay Project . .	Beihai	72,935	94,816	94,816	—	94,816	—	100%
Guangxi Subtotal			151,656	527,676	183,176	65	154,406	28,706	
Southern China Region Subtotal			18,139,309	34,445,134	10,633,826	480,556	3,809,490	6,343,780	

No.	Project Name	Location	Aggregate Site Area	Aggregate GFA of the Project	Land Bank (sq.m.) *(Note 1)* Total Planned GFA	Development Stage (B) Completed	Under Development	Held for Future Development	Interests Attributable to the Group *(Note 5)*
			(sq.m.)	(sq.m.)	(sq.m.) (A)	(B1)	(B2)	(B3)	
Eastern China Region									
61	Agile Chang Le Du Nanjing .	Nanjing	59,900	59,600	6,254	6,254	—	—	100%
62	The Territory Nanjing	Nanjing	316,697	910,561	23,171	23,171	—	—	100%
63	Agile Chairman Nanjing	Nanjing	31,159	74,394	74,394	—	74,394	—	100%
64	Agile Garden Gaochun	Nanjing	222,641	512,074	154,914	27,374	127,540	—	100%
65	Agile International Yangzhou .	Yangzhou	110,597	436,858	274,139	—	139,719	134,420	100%
66	Agile Orchid Mansion Yangzhou	Yangzhou	83,312	96,559	141	141	—	—	100%
67	Agile Mountain Yangzhou . . .	Yangzhou	148,142	235,600	209,167	7,292	201,875	—	100%
68	Agile Silva Town Chuzhou . .	Chuzhou	164,665	471,209	3,379	3,379	—	—	100%
69	Agile Hillgrove Zhenjiang . . .	Zhenjiang	113,117	226,200	13,040	—	13,040	—	100%
70	Agile Luxuriant Palace Zhenjiang	Zhenjiang	75,795	128,860	85,572	4,947	80,625	—	100%
71	Agile Garden Jurong	Jurong	34,906	69,812	69,812	—	69,812	—	100%
72	Agile Landscape House Xuzhou *(Note 2)*	Xuzhou	147,531	177,037	60,193	—	60,193	—	34%
73	Xuzhou Yunlong District Project *(Note 2)*	Xuzhou	132,397	172,115	86,058	—	32,111	53,948	50%
74	Phoenix Orientalism Lianyungang *(Note 2)*. . .	Lianyungang	56,593	113,185	37,351	—	31,227	6,124	33%
75	Landscape Hefei *(Note 2)* . . .	Hefei	92,216	174,164	85,340	—	46,023	39,317	49%
76	Agile New Joy Mansion Wuhu *(Note 2)*	Wuhu	124,059	190,930	114,558	—	99,787	14,771	60%
77	Agile Future Star Shanghai . .	Shanghai	94,193	148,025	183	183	—	—	100%
78(A)	Shanghai Pudong New District Project A	Shanghai	542,952	290,687	290,687	—	—	290,687	100%
78(B)	Shanghai Pudong New District Project B *(Note 2)*.	Shanghai	1,190,661	146,487	58,595	—	—	58,595	40%
79	Central Park Jiaxing *(Note 2)*.	Jiaxing	54,567	120,048	60,050	—	60,050	—	50.022%
80	Agile Riverside Metropolis Huzhou	Huzhou	64,220	134,862	134,862	—	134,862	—	100%
81	Huzhou Fenghuang District East Project *(Note 3)*	Huzhou	65,257	130,514	130,514	—	130,514	—	50%
82	Agile & Star River Changzhou	Changzhou	223,906	559,765	702	702	—	—	100%
83	Agile Pleasure Mansion Changzhou	Changzhou	45,390	54,468	174	174	—	—	100%
84	Agile Honour & Glory Changzhou	Changzhou	194,968	286,608	23,491	23,491	—	—	100%
85(A)	Agile Dream Lake Fairy Hill Changzhou Project A . . .	Changzhou	614,915	297,309	258,601	42,762	47,141	168,698	100%
85(B)	Agile Dream Lake Fairy Hill Changzhou Project B *(Note 3)*	Changzhou	352,357	134,212	133,808	193	21,836	111,780	95%
86	Agile Tangsong Changzhou *(Note 2)*	Changzhou	129,136	282,740	144,197	—	108,518	35,679	51%
87	Chengshi Wanxiang Changzhou *(Note 2)*	Changzhou	108,618	217,236	106,446	—	106,446	—	49%
88	Guoshijiuli Changzhou (Formerly known as Changzhou Zhonglou District Project) *(Note 3)* .	Changzhou	60,856	121,712	107,709	—	107,709	—	50%
89	Agile City Center Villa Wuxi.	Wuxi	214,664	590,325	245,545	2,334	174,115	69,096	100%
90	Implicit Talent Wuxi (Formerly known as Wuxi Binhu District Project) *(Note 2)* .	Wuxi	21,590	43,180	21,590	—	21,590	—	50%
91	Agile Garden Nantong	Nantong	187,437	510,000	894	894	—	—	100%
92	Mount Lake Oriental Landscape Nantong *(Note 2)*	Nantong	83,920	134,272	44,847	—	27,054	17,793	33.4%
93	Agile Metropolis Nantong *(Note 2)*	Nantong	141,257	296,640	118,656	—	118,656	—	40%
94	Agile Central Mansion Nantong	Nantong	20,768	41,494	41,494	—	41,494	—	100%
95	Agile International Garden Hangzhou	Hangzhou	132,446	423,827	13,203	13,203	—	—	100%
96	Agile Luxuriant Palace Suzhou	Suzhou	81,202	162,404	146,504	44,026	102,478	—	100%
97	Agile Mountain Mansion Changshu	Changshu	45,420	59,046	59,046	—	59,046	—	100%

No.	Project Name	Location	Aggregate Site Area (sq.m.)	Aggregate GFA of the Project (sq.m.)	Land Bank (sq.m.) *(Note 1)* Total Planned GFA (sq.m.) (A)	Development Stage (B) Completed (B1)	Under Development (B2)	Held for Future Development (B3)	Interests Attributable to the Group *(Note 5)*
98	Changshu Gaoxin District Project *(Note 2)*	Changshu	51,039	132,701	65,024	—	31,293	33,731	49%
99	Long Beach Fuzhou (Formerly known as Fuzhou Tingjiang District Project) *(Note 2)* .	Fuzhou	70,618	197,730	96,888	—	49,763	47,125	49%
100	Agile Mountains & Aqua Fuzhou	Fuzhou	39,096	56,254	56,254	—	56,254	—	100%
101(A)	Agile Chairman Xiamen Project A	Xiamen	12,206	29,296	29,296	—	29,296	—	100%
101(B)	Agile Chairman Xiamen Project B *(Note 3)*	Xiamen	7,964	19,112	19,112	—	19,112	—	51%
102	Agile Xiangshan in the Bay Zhangzhou (Formerly known as Zhangzhou Xiangshan Bay Project) *(Note 3)*	Zhangzhou	353,391	1,140,725	1,140,725	—	154,191	986,534	51%
103	Agile Champion Town Weihai (Formerly known as Weihai Sports and Leisure Town Project) *(Note 2)*.	Weihai	2,267,333	2,579,211	1,671,329	—	93,727	1,577,602	64.8%
104	Jing Yuan Jinan *(Note 2)* . . .	Jinan	70,754	207,463	103,731	—	103,731	—	50%
105	Jinan Zhangqiu District Project *(Note 2)*	Jinan	23,856	38,170	12,596	—	12,596	—	33%
106	Agile City of Lohas Jinan. . .	Jinan	69,495	180,687	180,687	—	180,687	—	100%
Eastern China Region Subtotal			9,550,179	13,816,369	6,814,925	200,520	2,968,506	3,645,898	
Western China Region									
107	Agile Garden Chengdu.	Chengdu	1,338,960	1,606,752	172,948	6,480	166,468	—	100%
108	Agile Born to Shine Chengdu (Formerly known as Chengdu Qingbaijiang District Project) *(Note 2)* .	Chengdu	56,005	112,011	54,885	—	54,885	—	49%
109	Flowers Island Chengdu (Formerly known as Chengdu Xinping Town Project) *(Note 2)*.	Chengdu	69,999	139,999	46,200	—	23,736	22,464	33%
110	Agile City of Lohas Chengdu.	Chengdu	66,009	165,023	165,023	—	165,023	—	100%
111	Agile Life Diary Xi'an	Xi'an	277,519	695,070	314,545	717	163,646	150,182	100%
112	Agile City of Lohas Xi'an *(Note 3)*	Xi'an	59,434	168,748	83,885	4,005	79,880	—	51%
113	Agile Garden Hanzhong	Hanzhong	442,647	1,549,263	1,549,263	—	404,121	1,145,142	100%
114	Agile Chairman Chongqing . .	Chongqing	119,287	348,172	2,120	2,120	—	—	100%
115	Agile Mountain Chongqing . .	Chongqing	203,112	362,486	362,486	—	308,977	53,509	100%
116	Lumingfu Chongqing *(Note 2)*	Chongqing	157,427	366,953	121,094	—	100,436	20,658	33%
117	Agile Bay Area Villa Chongqing	Chongqing	138,394	187,009	187,009	—	110,265	76,744	100%
Western China Region Subtotal.			2,928,793	5,701,486	3,059,459	13,322	1,577,438	1,468,699	
Central China Region									
118	Bund Mansion Changsha *(Note 2)*	Changsha	197,406	670,237	213,198	—	61,500	151,698	50%
119	Agile Garden Changsha	Changsha	40,000	112,000	2,050	2,050	—	—	100%
120	Agile Evian Town Changsha .	Changsha	410,911	739,641	294,254	29,315	203,166	61,773	100%
121	Changsha Yuanda Road 2 Project	Changsha	15,853	69,596	69,596	—	69,596	—	100%
122	Agile Forest Lake Zhengzhou.	Zhengzhou	78,328	195,821	2,113	2,113	—	—	100%
123	Agile Chairman Zhengzhou . .	Zhengzhou	49,485	74,227	74,227	—	74,227	—	100%
124	Agile Celestial Mansion Zhengzhou	Zhengzhou	52,189	156,566	156,566	—	156,566	—	100%
125	Agile Romantic Town Gongyi *(Note 3)*	Zhengzhou	199,507	282,671	282,671	—	96,860	185,811	72%
126	Agile Grand View Kaifeng (Formerly known as Kaifeng Bianxi New District Project) *(Note 2)* .	Kaifeng	59,545	148,863	75,920	—	75,920	—	51%
127	Kaifeng Longting District Project *(Note 2)*	Kaifeng	264,008	660,019	134,644	—	31,928	102,716	20.4%
128	Agile International Garden Xuchang	Xuchang	93,186	279,558	279,558	—	236,213	43,345	100%

					Land Bank (sq.m.) *(Note 1)*				
						Development Stage (B)			
No.	Project Name	Location	Aggregate Site Area	Aggregate GFA of the Project	Total Planned GFA	Completed	Under Development	Held for Future Development	Interests Attributable to the Group *(Note 5)*
			(sq.m.)	(sq.m.)	(sq.m.) (A)	(B1)	(B2)	(B3)	
129	Agile County of Earl Xuchang (Formerly known as Xuchang Weidu District Project)	Xuchang	31,083	46,625	46,625	—	46,625	—	100%
130	Lantai Mansion Shangqiu *(Note 2)*	Shangqiu	59,698	179,093	87,756	—	43,627	44,129	49%
131	Agile International Garden Shangqiu (Formerly known as Shangqiu Riyue Lake New District Project) . . .	Shangqiu	52,607	157,820	157,820	—	129,932	27,888	100%
132	Chenzhou Project *(Note 2)* . .	Chenzhou	121,066	145,279	72,640	—	72,640	—	50%
133	Agile International Garden Wuhan	Wuhan	406,583	790,694	717,056	13,926	451,881	251,249	100%
134	Agile City of Lohas Jingzhou.	Jingzhou	42,113	147,395	147,395	—	147,395	—	100%
135	Xiangyang Technology & Innovation Town Project .	Xiangyang	213,809	442,912	442,912	—	75,384	367,528	100%
Central China Region Subtotal			2,387,377	5,299,018	3,257,002	47,404	1,973,460	1,236,138	
Hainan Region									
136	Hainan Clearwater Bay.	Lingshui	10,698,576	8,402,563	3,983,416	332,028	2,408,197	1,243,191	100%
137	Agile Starlight City Hainan . .	Wenchang	110,098	330,294	330,294	—	165,513	164,781	100%
138	Agile Golden Bay Hainan *(Note 2)*	Haikou	376,502	704,451	422,671	—	290,743	131,927	60%
139	Wanning Shanqin Bay Project *(Note 3)*	Wanning	233,325	184,658	184,658	—	—	184,658	51%
140	Lingao Nanbao Town Project .	Lingao	88,963	44,482	44,482	—	44,482	—	100%
Hainan Region Subtotal			11,507,464	9,666,448	4,965,520	332,028	2,908,935	1,724,557	
Yunnan Region									
141	Agile International Garden Ruili	Ruili	263,994	446,894	109,336	36,781	72,555	—	100%
142	Agile Eden Yunnan	Tengchong	2,423,266	4,004,836	3,478,357	52,482	425,858	3,000,017	100%
143(A)	Dali Manjiang Area District Project A *(Note 3)*	Dali	30,893	114,305	114,305	—	114,305	—	45%
143(B)	Dali Manjiang Area District Project B *(Note 2)*.	Dali	31,320	125,280	56,376	—	8,561	47,815	45%
144	Agile Quenya Yunnan	Xishuangbanna	945,200	1,134,240	988,329	—	338,329	650,000	100%
Yunnan Region Subtotal			3,694,673	5,825,555	4,746,704	89,263	959,609	3,697,832	
Northeast China Region									
145	Agile Garden Shenyang	Shenyang	536,848	1,110,834	719,675	200	698,730	20,745	100%
146	Shenyang Development District *(Note 2)*	Shenyang	30,705	52,198	26,099	—	—	26,099	50%
Northeast China Region Subtotal			567,553	1,163,032	745,774	200	698,730	46,844	
Northern China Region									
147	Tianjin Jinnan New City *(Note 2)*	Tianjin	1,289,227	3,010,901	313,345	—	230,359	82,985	25%
148	Agile Chairman Tianjin	Tianjin	85,689	128,532	128,532	—	128,532	—	100%
149	Tianjin Hangu District Project *(Note 2)*	Tianjin	436,800	524,160	272,563	—	—	272,563	52%
150	Tianjin Haijiao Garden Project B	Tianjin	45,709	77,704	77,704	—	77,704	—	100%
151	Agile Baodi Jinqiao International Town Tianjin *(Note 3)*	Tianjin	231,099	329,323	329,323	—	79,360	249,963	96%
152	Agile Chairman Handan *(Note 3)*	Handan	18,240	36,480	36,480	—	36,480	—	90%
153	Courtyard Handan *(Note 2)* . .	Handan	30,581	61,162	29,969	—	29,969	—	49%
154	Agile Lohas Life Jinzhong *(Note 2)*	Jinzhong	46,603	163,112	48,444	—	15,782	32,662	29.7%
155	Jinzhong Yuci District Project *(Note 2)*	Jinzhong	145,037	452,292	221,623	—	65,474	156,149	49%
156	Beijing Yanqing District Project *(Note 3)*	Beijing	198,254	65,000	65,000	—	65,000	—	51%
157	Shijiazhuang Zhengding New District Project.	Shijiazhuang	49,697	99,394	99,394	—	—	99,394	100%
Northern China Region Subtotal			2,576,936	4,948,060	1,622,377	—	728,661	893,716	

No.	Project Name	Location	Aggregate Site Area	Aggregate GFA of the Project	Land Bank (sq.m.) *(Note 1)* Total Planned GFA	Development Stage (B) Completed	Under Development	Held for Future Development	Interests Attributable to the Group *(Note 5)*
			(sq.m.)	(sq.m.)	(sq.m.) (A)	(B1)	(B2)	(B3)	
Hong Kong									
158	Hong Kong King's Road Project	Hong Kong	929	1,887	1,887	—	—	1,887	100%
Hong Kong Subtotal			929	1,887	1,887	—	—	1,887	
Overseas									
159	Agile Mont Kiara Kuala Lumpur *(Note 3)*	Kuala Lumpur	41,130	167,100	167,100	—	167,100	—	70%
160	Agile Bukit Bintang Kuala Lumpur *(Note 3)*	Kuala Lumpur	15,174	191,234	191,234	—	191,234	—	70%
Overseas Subtotal			56,304	358,334	358,334	—	358,334	—	
Grand Total *(Note 4)*.			51,409,517	81,225,324	36,205,808	1,163,294	15,983,162	19,059,351	

Notes:

1. Land bank data includes only GFA that is calculated based on plot ratio and A=B. The data of completed GFA and GFA under development are as of June 30, 2019. Data are derived from the Group's internal record.

2. Total site area and total planned GFA of joint venture projects are the total area of the overall projects; while the area set out in the column of land bank is the area proportional to the respective equity interests held by the Group.

3. The Projects are held by the subsidiaries of the Group, their total site area, total planned GFA of the projects and land bank are shown in 100%.

4. Besides the above information, the Group holds 70% equity interest in lands (including agricultural land and others) with site area of approximately 1.29 million sq. feet in the New Territories, Hong Kong and is intended to submit its application for amendment of plan to the relevant government department.

5. The Group's equity interests in the projects listed in the Land Bank Table may change as a result of introduction of cooperation parties for the joint development of some of these projects. The current percentages of shareholdings listed in the Land Bank Table are for reference only.

As of June 30, 2019, there were also parcels of land for 17 of our projects for which our project companies had entered into land grant contracts, land grant confirmation agreements or land use rights transfer agreements or held other forms of interest but for which we had not obtained the relevant land use rights certificates or the land titles or were pending share transfer. The table below sets forth the location and site area of these parcels of land as of June 30, 2019. The site area information of these pieces of land is based on the relevant land grant contracts, land grant confirmation agreements, land use rights transfer agreements or other land documents.

No.	Project Name	Location	Site Area Pending Land Use Right Certificate	Estimated GFA Pending Land Use Right Certificate	Interests Attributable to us
			(sq.m.)	(sq.m.)	(%)
1	Huizhou Huicheng District Project *(Note 1 & 2)*	Huizhou	24,792	76,855	100%
2	Huizhou Tangquan District Project *(Note 1 & 2)*	Huizhou	88,842	222,110	100%
3	Qingyuan Dongcheng Avenue Project *(Note 1 & 2)*	Qingyuan	53,331	111,995	100%
4	Yangzhou International Waterfront New Town Project . .	Yangzhou	160,043	255,714	100%
5	Agile Silva Town Chuzhou *(Note 1)*	Chuzhou	106,242	206,057	100%
6	Hefei Xinzhan District Project *(Note 1 & 2)*.	Hefei	75,608	136,094	100%
7	Kunshan Dianshan Lake Town Project *(Note 1 & 2)* . . .	Kunshan	60,291	108,523	100%
8	Chengdu Wenjiang District Project	Chengdu	105,832	245,068	100%
9	Chongqing Jiulongpo District Project *(Note 1 & 2)*	Chongqing	50,035	100,070	100%
10	Chongqing Beipei District Project *(Note 1 & 2)*.	Chongqing	112,059	168,089	100%
11	Zhenzhou Zhengshang New District Project *(Note 1 & 2)*	Zhengzhou	46,691	116,726	33%
12	Agile International Garden Ruili	Ruili	149,279	522,477	100%
13	Agile Quenya Yunnan *(Note 1 & 2)*	Xishuangbanna	126,357	151,629	100%
14	Kunming Panlong District Project *(Note 1 & 2)*.	Kunming	81,914	262,126	50%
15	Tianjin Haijiao Garden Project A	Tianjin	230,355	327,276	50%
16	Beijing Hexi District Project *(Note 1 & 2)*	Beijing	36,478	80,252	100%
17	Agile Sky Residence Phnom Penh.	Phnom Penh	4,220	50,640	49%
Total			**1,512,369**	**3,141,700**	

Notes:

1. We have paid up all the land premium of these projects as of the date of this offering memorandum.

2. We have fully obtained land use right certificates of the land for these projects as of the date of this offering memorandum.

With respect to the pieces of land for which we had not yet obtained such land use rights certificates, there can be no assurance that we will obtain the land use rights certificates, in a timely manner, or at all. Under the ''Law of the Administration of Urban Real Estate of the PRC'', we are not allowed to engage in any pre-sale activity prior to issuance of land use rights certificates.

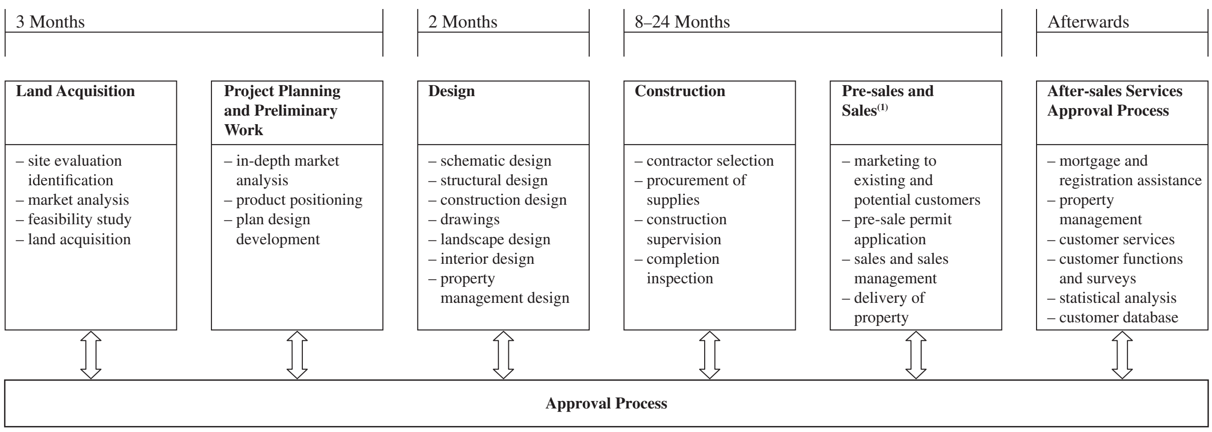
QUALIFICATIONS OF PROPERTY DEVELOPERS

Property developers in the PRC must obtain a formal qualification certificate in order to carry out property development activities in the PRC. According to the ''Provisions on Administration of Qualification Certificates of Property Developers promulgated by the PRC Ministry of Construction'', newly established developers must first apply for a temporary qualification certificate, which may be renewed for a maximum of two additional one-year periods. Entities engaged in property management or interior decoration must also obtain qualification certificates before commencing their business activities, according to the ''Measures on Administration of Qualification Certificates of Property Management Enterprises'' and the ''Provisions on Administration of Qualification Certificates of Construction Enterprises'' promulgated by the PRC Ministry of Construction. All qualification certificates of property development enterprises are subject to renewal on an annual basis. In determining whether to renew a qualification certificate, the local government authority evaluates the various aspects of the property developer's business, including its registered capital, property development investments, history of property development, quality of property construction, the expertise of its management, as well as whether the real estate developer has any illegal or inappropriate operations. As of the date of this offering memorandum, all our project companies have obtained a valid formal qualification certificate, except that certain newly established project companies are in the process of applying for their qualification certificates and certain project companies are in the process of renewing their qualification certificates.

PROJECT MANAGEMENT

We have established various centralized control centers to oversee and control all aspects of our major operating subsidiaries or projects including project identification, project planning and design and budget control, such as Finance Center (財務中心), Sales and Marketing Center (營銷中心), Operations Center (運營中心), Design Center (設計中心), Engineering Center (工程中心), Procurement Center (採購中心), Human Resources and Administrative Center (人力行政中心), Strategic Investment Center (戰略投資中心) and Cost Center (成本中心). We have also established 13 regional offices to carry out the day to day operations for our 160 projects.

The diagram below summarizes the different stages in the development of a property:



Note:

(1) Pre-sales typically commence several months after the beginning of construction and are completed at the end of construction.

SITE SELECTION AND PRODUCT POSITIONING

We place a strong emphasis on site selection and consider it fundamental to the success of a property development. Our major site selection criteria include:

- government development plans for the relevant site;
- access to the site and availability of infrastructure support;
- customer demand for properties in the relevant area;
- existing and potential competition from other developments in the locality;
- convenience of the site, such as proximity to the city center, schools, shopping malls and other commercial facilities and access to transportation networks;
- surrounding environment, such as greenery, lakes and rivers; and
- cost, investment and financial return ratios of the potential developments.

Following site selection, our Design Center determines the products based on their analysis of the purchasing power and preferences of our target customers to better match their demand.

LAND ACQUISITION

Prior to the introduction by the PRC government of regulations requiring that land use rights for property development be granted by tender, auction or listing-for-sale, we obtained most of our land use rights through purchase arrangements or co-operative arrangements with local governments or original grantees of land use rights.

"The PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale" (招標拍賣掛牌出讓國有土地使用權規定) issued by the PRC Ministry of Land and Resources provide that, from July 1, 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale. When land use rights are to be granted by way of a tender, an evaluation committee consisting of not fewer than five members (including a representative of the grantor and other experts) is to consider and select the tenders that have been submitted. When deciding whom to grant land use rights, the relevant authorities are to consider not only the tender price, but also the credit history and qualifications of the tenderer and its tender proposal. Where land use rights are granted by way of an auction, a public auction is to be held by the relevant local land bureau and the land use rights are granted to the highest bidder. We believe these measures should result in a more transparent land grant process, which should enable developers to compete more effectively. Under current regulations, grantees of land use rights are generally allowed to sell, assign or transfer the land use rights granted to them in secondary markets, unless the transferor is a state-owned enterprise or a collectively owned enterprise or the land use right is obtained by way of allocation. In these latter cases, such land is to be transferred through public tenders, auction or listing-for-sale. In addition to acquiring land through government-organized tender, auction or listing-for-sale, we intend to continue to obtain land use rights through transfers from third parties or through cooperative arrangements with third parties in the secondary markets. The availability of privately held land will, however, remain limited and subject to uncertainties.

Starting November 1, 2007, a regulation issued by the Ministry of Land and Resources requires property developers to pay the land premium in full for the entire parcel under the land grant contract before they can receive a land use right certificate. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use right certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In March 2010, the Ministry of Land and Resources issued a circular imposing more stringent requirements on the payment of land premium by property developers. The implementation of the regulation will require property developers to maintain a higher level of working capital. Under this regulation, larger property developers generally are in a better position to compete for large pieces of land due to their stronger financial condition. See "*Risk Factors — Risks Relating to Our Business — The PRC government has implemented restrictions on the payment terms for land use rights.*"

Historically, we have acquired most of our land through government land sales and secondary market land sales. In recent years, we have adopted a more prudent and efficient land acquisition strategy to increase our land bank by way of tender, auction, listing-for-sale and equity acquisition.

Government Land Sales

When local governments invite property developers to bid on particular projects, they typically require each developer to provide a bid bond. The bid bond is set by each local government with respect to each project, and varies in terms of amount and percentage of the total estimated sale price. Historically, the bid bonds we have posted have ranged from 20% to 50% of the estimated sale price.

If we are unsuccessful in a bid, the local governments will refund the bid bond to us, usually within five days of the announcement of the successful bidder.

In many cases, our land acquisitions from local governments involve large parcels of land which we intend to develop in stages. Accordingly, we may structure our purchase of a parcel of land for an entire project in several stages which can last from several months to several years. If we are successful in a bid, our bid bond becomes part of our initial installment payment for the acquisition of the land, and our obligation to make the balance of our payments becomes unconditional. For smaller developments, we pay the purchase price either by installments or in one lump sum and, the government delivers a single land use right certificate for the entire parcel after our payment in full of the purchase price for the land, typically within one month after the final payment.

As of June 30, 2019, there were RMB2,839.1 million (US$413.6 million) in outstanding bid deposits with local governments. Any outstanding bid deposits are recorded under other receivables on our consolidated balance sheet. In certain cases, local governments may approach us many months in advance of the commencement of a bidding exercise to seek assistance in preparing the land for development. In such cases, we may assist the government by depositing funds with the local government in order to fund the clearing of impediments to land title and other administrative matters required for the land to be fully ready for bidding. Once the bidding exercise commences, the deposited funds are treated as part of our bid bond, and we participate in the bidding process together with other competitors. If we are unsuccessful in the bid, the deposited funds are returned to us. If we are successful in the bid, the deposited funds are treated as part of our first installment payment.

Secondary Market Land Sales

For land acquisitions from non-government parties in the secondary markets, we typically provide a security deposit to the seller or prepay a certain portion of the purchase price for the land. The amount of such security deposit or prepayment is negotiated between the seller and us, and we may provide deposits or prepayments in advance of each stage of completion of the transfer of the land use rights. Historically, such prepayments and deposits have ranged from 10% to 30% of the purchase price for the land. We usually pay the purchase price of the land by installments into an escrow account and the seller delivers or assists us to obtain the land use right certificate under our name after our full payment of the purchase price, generally within one week after the final payment. In situations where we enjoy a good relationship with the seller, sellers have often transferred the land use right certificate for the entire parcel to us prior to our full payment of the purchase price. As of June 30, 2019, we didn't have any outstanding security deposits and prepayments to non-government sellers of land. Any outstanding security deposits and prepayments are recorded under other receivables on our consolidated balance sheets.

In limited circumstances, our land acquisitions in the secondary market may take the form of cooperation with third parties who hold the land use rights. Historically, we pay the purchase price for such land transfer in cash and through properties we have developed or will develop. The value of the properties we transfer as part of the purchase price is determined by reference to the selling price for such properties, usually at a 10% to 20% discount. The sellers in these cooperation arrangements historically have not held an equity interest or shared any profit in any of the projects involved other than the properties we agree to transfer to them in the relevant cooperation agreements. Given suitable opportunities, we may consider forming equity joint ventures with third parties who hold land use rights to jointly develop the land. Under such joint ventures, generally we will be the majority shareholder and manage the development.

Corporate Acquisitions

In certain cases, we may acquire land use rights by acquiring the corporate entity which owns the land use rights or is in the process of acquiring the land use rights. In such cases, the purchase price of the relevant land is treated as part of the consideration of the corporate acquisition. Upon the completion of the corporate acquisition, we complete the land acquisition and develop the land through the acquired entity, such as the Zhongshan Junhui Project and Beijing Yanjing District Project. From time to time, in compliance with the restricted payments covenant under the indentures governing the 2015 Notes and the 2017 Notes, the July 2018 Notes, the November 2018 Notes and the March 2019 Notes, we make loans to third parties who are in the preliminary stages of acquiring land or developing land for prospective projects which we may later decide to develop. Such loans are typically secured by security interests over any relevant land assets and shares of the relevant companies. If we decide to proceed with such projects, the loan is either converted to an equity interest in the project or repaid through a transfer of equity ownership interests in the project. If we decide not to proceed, the loan is repayable to us. See "— *Joint Ventures*" below.

JOINT VENTURES

Historically, we have developed our property projects primarily through our wholly owned subsidiaries. However, in recent years, we began to develop a number of projects through joint venture arrangements with independent third parties, such as the principal investment groups of global investment banks, real estate funds and other property developers. Arrangements which we may undertake include the following:

- working with strategic partners who are in the preliminary stages of land acquisition or land development by making loans to such partner to further acquire or develop land. We believe that strategic partners in a new market may have local market expertise, or better access to strategic projects in that market;

- working with international business partners and financial investors such as well-known real estate funds to jointly acquire or develop land. We may consider disposing of a minority equity interest in our project company to such business partners and financial investors to generate additional cash flow and access future pro rata project funding. We believe that forming strategic partnerships with international business partners and financial investors is beneficial to our brand building, reputation and provides us with alternative sources of funding; and

- financing the acquisition and development of land through joint ventures in which we would contribute the right to acquire land, as well as our development expertise and the joint venture partner would contribute funding for the acquisition and development of the land. In these situations, the joint venture party may include foreign partners and financial investors.

FINANCING OF PROPERTY DEVELOPMENTS

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We have three main sources of funding for our property developments: internal funds, borrowings from banks and proceeds from sales and pre-sales. We may also obtain financing through equity or debt offerings such as our initial public offering, various share placements, issuance of senior notes, convertible bonds, asset backed securities, domestic corporate bonds, perpetual securities and various other forms of instruments.

Since June 2003, commercial banks have been prohibited under PBOC guidelines from advancing loans to fund the payment of land premium. As a result, property developers may only use their own funds to pay for land premium.

Prior to June 2003, we financed our payments of land premiums through a combination of borrowings from banks and proceeds from the sales and pre-sales of properties. Since June 2003, all of our payments of land premiums have been funded by proceeds from the sales of properties and sources other than bank borrowings.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines jointly issued by the PRC Ministry of Construction and other PRC government authorities in May 2006, commercial banks in China may not lend funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds available by the total project capital required for the project, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio increased the internally sourced capital requirement for property developers, including ourselves. In May 2009, as part of its measure to mitigate the impact of the global economic downturn, the PRC government lowered this ratio to 20% for affordable housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate property developments in China. However, since December 2009, the PRC government adjusted some policies in order to enhance the regulation of the property market, such as imposing more stringent requirements on the payment of land premiums. We typically use internal funds and project loans from PRC banks to finance the initial construction costs for our property developments. Additional cash is generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funds for the construction of our projects.

PROJECT DESIGN WORK

The project design work for our property developments is typically conducted by reputable domestic or overseas architectural and interior design firms under contract with us, with the assistance and under the supervision of our Design Center (設計中心).

In determining the design of a particular property development, we consider:

- the surrounding environment or neighborhood of the site where the relevant property is to be developed;
- relevant site area;
- advice and recommendation of professional advisors, including architects and planning experts; and
- the proposed type of residential development.

Our Design Center (設計中心) is responsible for overseeing project design and interior design of our property developments. The Design Center (設計中心) takes part in the selection of design firms and works to ensure that the project designs are constructed to meet our specifications and completed on time. In selecting design firms, we consider a firm's reputation for reliability and quality, the price quoted, the references provided, and the design proposed. We typically select the design firm for a property development through a tender process. Design Center (設計中心) is responsible for monitoring the progress and quality of the design teams to ensure they meet the required standards.

CONSTRUCTION WORK

We generally outsource our construction work to independent construction companies through a tender process. Our Engineering Center (工程中心) is responsible for selecting our construction contractors and takes into account the reputation of the contractors for reliability, quality and safety, the prices quoted and references provided in the selection. The quality and timeliness of the construction is usually warranted by contract. Our project company monitors cost control closely during construction. We have had disputes with some of our construction contractors in the past. In connection with the development of Majestic Garden, we experienced a two-month delay in the completion of construction in 2000, as Taixing First Construction Company ("Taixing"), an independent construction contractor, suffered financial difficulties. During 2016, 2017 and 2018 and the first half of 2019, we did not incur any significant additional costs as a result of our independent contractors' financial or other difficulties. While most of our construction work is carried out by independent construction companies, we also have a construction subsidiary in Guangzhou that engages in foundation construction and certain ancillary construction work for certain of our projects.

The construction contracts we enter into with construction companies typically contain warranties in respect of 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. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies, on-site inspection and production of progress reports. Construction payments are determined primarily based on the labor and material costs and fitting requirements, and are adjustable under the construction contract. In the event of delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies.

QUALITY CONTROL

We place a strong emphasis on quality control to ensure that our properties and services comply with relevant rules and regulations relating to quality and safety and meet market standards. We have quality control procedures in place in our different functional departments as well as in each project company.

We generally contract with reputable design and construction companies and material suppliers to ensure the quality of sub-contracted work. Internal guidelines have been established to ensure control over documentation, record-keeping, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, information exchange and data analysis. We provide our customers with a warranty for the structure and certain fittings and facilities of our property developments in accordance with the relevant rules and regulations.

PRE-SALE

Upon satisfaction of certain requirements set forth in the relevant laws and regulations as discussed below, we typically conduct pre-sale of our property units prior to the completion of a project or a project phase.

Under the "Law of the Administration of Urban Real Estate of the PRC" (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), as amended in 2001 and 2004 (which are generally applicable in the PRC, including Guangdong Province), we must comply with the following conditions prior to commencing any pre-sale of a particular property development:

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

- the construction works planning permit and the construction project building permit must have been obtained;

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

- pre-sale permits must have been obtained from construction bureaus at the county-level or above.

According to the "Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province" (廣東省商品房預售管理條例) and a notice issued by the Guangdong provincial construction bureau on January 2, 2001, we must fulfill the following conditions, in addition to the four conditions mentioned above, before obtaining a pre-sale permit:

- a business license and a real property development qualification certificate have been obtained;

- the construction quality and safety monitoring procedures have been performed;

- in the case of properties of not more than seven stories, the main structural construction must have been completed and in the case of properties of more than seven stories, at least two-thirds of the main structural construction must have been completed;

- a designated property pre-sale account has been opened with a commercial bank in the place where the project is located; and

- the land use rights with respect to the properties in the project are free from third-party rights.

Other cities and regions in which we have property developments or to which we are expanding (cities such as Shenyang, Tianjin, Hainan and Xi'an) have imposed similar requirements for the pre-sales of properties, including the possession of certain certificates or government approvals, completion of certain structure or facilities, proof of required investment and the setup of a designated pre-sale proceeds account.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development issued the "Circular on further strengthening on real estate market supervision and improvement of the commercial housing pre-sale system (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It stipulates that:

- prior to obtaining pre-sale permits for a project, the property developer may not accept from a purchaser any deposits or other fees in order to place the purchaser on a waitlist, reserve a purchase, confirm a purchase or grant a VIP card;

- the property developer shall disclose all the residential units that are permitted to be sold at one time and the price of each unit within ten days after obtaining the pre-sale permits;

- the pre-sale permits can only be issued to entire buildings, in addition, a pre-sale permit must not be issued to individual floors or units;

- property developer must publish its residential pre-sale program and promote and sell its residential units in accordance with the program, which includes basic information of the project, such as construction schedule, number of units available for pre-sale, estimated size, areas of common space and public facilities, sale prices and the range of changes in sale prices and the accounting system for pre-sale proceeds. The pre-sale program and all material changes to the program must be filed with the relevant authorities and be published;

- all pre-sale proceeds must be deposited into escrow accounts to ensure the legitimate use for project construction; and

- the property developer must take primary responsibility for the quality of properties it has developed, while survey, design, construction and supervision companies must also bear their respective responsibilities accordingly.

On March 16, 2011, NDRC promulgated the "Regulation on Price of Commodity Property" (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to the regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to state other ancillary charges that would affect housing prices and relative charges before the property transaction, such as commission fee and property management fee. No additional charge beyond what is stated in the quoted price or made public by the property developers is permitted.

See "*Risk Factors — Risks Relating to Our Business — We face risks related to the pre-sale of properties, including the risk that property developments are not completed.*"

A portion of the proceeds from the pre-sales of our properties is required to be deposited into designated escrow accounts. Before the completion of the pre-sold properties, the proceeds deposited in the designated escrow accounts must only be used for the restricted purposes of purchasing construction materials and equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. If we do not comply with these requirements, the qualification certificates held by our project companies may be revoked, which will result in suspension or termination of the relevant project. We may also be subject to a penalty amounting to 10% to 20% of the used portion of the deposited proceeds if they have been used in violation of these regulations. As of December 31, 2016 and 2017 and 2018 and June 30, 2019, our total guarantee deposit proceeds from pre-sales was approximately RMB9,378.7 million, RMB9,338.3 million, RMB7,328.6 million (US$1,067.5 million) and RMB6,969.1 million (US$1,015.2 million), respectively.

SALES AND MARKETING

Our principal customers are individual purchasers of residential properties from the PRC. We primarily target middle and upper-middle class purchasers, such as white collar workers, middle-level and senior-level managers, entrepreneurs and civil servants.

We have established a Sales and Marketing Center (營銷中心) to supervise, manage and coordinate the sales and marketing activities undertaken by our subsidiaries. Our sales and marketing staff work closely to determine the appropriate advertising and sales strategy for a particular property development as well as to implement efficient and orderly on-site sales procedures.

We adopt a variety of measures to reach potential customers, including advertising through traditional media such as television and newspapers, new media such as websites and mobile apps, as well as sponsoring performances and organizing entertainment activities for customers. We believe that these initiatives have enhanced our brand image and increased the number of referrals by our existing customers.

PAYMENT ARRANGEMENTS

Our customers, including those purchasing pre-sold properties, may need bank mortgages. We typically require that all purchasers pay a deposit between RMB10,000 and RMB50,000 when executing the purchase contracts. If purchasers choose to make a cash payment, the purchase price (less the deposit already given) must generally be paid no later than three months after the execution of the purchase contracts. If the purchasers choose to pay through home mortgage loans provided by banks, under current PRC laws and regulations, they may obtain home mortgage loans in a principal amount of up to 70% of the total purchase price for first-time home purchases, or up to 60% for individuals already owning at least one home, of the purchase price with a repayment period of up to 30 years. A purchaser is generally required to pay the purchase price that is not covered by the mortgage loan prior to the drawdown of the mortgage loan. We generally receive payments for the purchase price covered under the mortgage loan directly from mortgagee banks one to two months after the execution of the purchase contracts. The payment terms of sales and pre-sales of properties are substantially identical. We also offer settlement of purchase price by installments, under which purchasers are required to pay at least 30% of the purchase price at the time of the execution of the sale and purchase contract, with the balance to be paid by installments over a period ranging from six to 18 months and normally within 12 months. The purchase price for purchasers who settle by installments is generally higher than those who do not do so and is generally higher for longer installment periods, in order to compensate us for the additional credit risk that we may be exposed to. In certain cases, we have also entered into group buying arrangements with selected customers and may offer discounts for group purchase of our properties.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgages granted to our purchasers. These guarantees are released upon the earlier of (i) the issuance of the property ownership certificate which are generally available within one to two years after we deliver the relevant property to our customers; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our outstanding guarantees over the mortgage loans of our purchasers amounted to RMB33,293.6 million and RMB38,570.8 million, RMB44,775.4 million (US$6,522.3 million) and RMB41,086.2 million (US$5,984.9 million), respectively. Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, we are responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions. See "*Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee financial institutions if our purchasers default on their mortgage payments.*"

PROPERTY MANAGEMENT BUSINESS

We provide after-sales property management and after-sales service to the residents of the projects we develop through A-Living. A-Living also provides services to certain projects developed by third parties. Our property management services have won numerous awards and received recognition from different organizations and governmental departments. In 2012, our property management services were accredited with ISO 9001:2008 quality management system certification, ISO 14001:2004 environmental management system certification and OHSAS 18000:2007 occupational health and safety management system certification. In 2018, A-Living was awarded as "Top 8 Property Management Companies of the PRC in terms of Comprehensive Strength", ranked 2nd among "Top 100 Property Management Companies in the PRC in terms of Growth Potential", and accredited as "Leading Company among 2018 Top 100 Property Management Companies in the PRC in terms of Business Performance", "Leading Brand in Vacation Property Management" and "Chinese Blue-chip Property Management Company". As of June 30, 2019, A-Living managed projects in different cities and districts across China for a total contracted GFA of approximately 211.2 million sq.m. Under PRC laws and regulations, the owners' association of a residential community has the right to change property management companies pursuant to certain procedures. See "*Risk Factors — Risks Relating to Our Business — Our branding and marketing strategy could be adversely affected if homeowners in the projects that we have developed elect to discontinue our engagement as the provider of property management services.*"

In 2017, we commenced to reorganize our property management business and have re-arranged the subsidiaries providing property management services to improve our business model and strive to optimize our business portfolio. On February 9, 2018, the shares of A-Living, were listed on the main board of the Hong Kong Stock Exchange, constituting a spin-off from our Company. Upon completion of the global offering, we, through our wholly-owned subsidiaries, indirectly control in aggregate approximately 54% of the total issued share capital of A-Living.

A-Living primarily engages in three major business lines, namely property management services, extended value-added services and community value-added services, forming an integrated service spectrum covering the entire value chain of property management.

- ***Property management services*** — A-Living provides a wide range of property management services to property developers, property owners and residents and property management companies, including, among others, security, cleaning, greening, gardening, and repairs and maintenance services, with a focus on mid- to high-end residential properties (including vacation properties) and non-residential properties (including commercial properties, office buildings and multi-purpose complexes). A-Living also provides consultancy services to local property management companies.

- ***Extended value-added services*** — Extended value-added services primarily include sales center property management services and other extended value-added services for property developers. Other extended value-added services include property marketing agency services and housing inspection services, etc.

- ***Community value-added services*** — Community value-added services mainly include living and comprehensive services, community asset management services and home improvement services. Community value-added services focus on improving the community living experience of property owners and residents at the properties under management and preserving and increasing the value of their properties. Living and comprehensive services include: property repair and maintenance, housekeeping, community-based group purchase, and comprehensive consulting services, etc. Community asset management services primarily include: club house operation, property lease services, apartment operation, community-based advertising, parking lot management services, community property operation, and second-handed property agency services.

With an aim to provide a wide assortment of lifestyle products, A-Living launched a one-stop service platform in July 2016 that integrates (i) key mobile applications, including "A-Steward," "A-Business" and "A-Assistant," as well as "A-Steward" Wechat Public Account, (ii) offline services, including A-Living Experience Center, and (iii) merchandise supplier and service provider network platform on A-Steward Alliance.

We believe A-Living is well positioned in the property management industry of the PRC and differentiates from competitors in various respect: (i) a first-mover with a competitive market position in the property management industry in China; (ii) competitiveness enhanced by the support from our Group and the Greenland Group; (iii) dual brand strategy of Agile Property Management and Greenland Property Services standing for excellent service quality and management capabilities; (iv) an expert in vacation property management and a pioneer in large-scale property management; (v) diversified property management portfolios, operating revenue streams and service offerings; (vi) integrated and convenient one-stop service platform; (vii) management digitalization, service specialization, process standardization and operation automation; and (viii) experienced and professional management team as well as human resources policies designed to cultivate outstanding employees.

COMMERCIAL

In 2018, we formed the commercial segment by integrating our hotel operations and investment properties with a range of commercial projects covering cultural and tourism retail and community retail. The commercial segment has built a diversified portfolio of properties covering more than 50 cities, with a GFA exceeding 3.0 million sq.m..

Hotel Operations

We engage in commercial hotel development and management to complement our residential property development business. While we have derived a substantial majority of our revenue from residential property development, we expect revenue contribution from our hotel business to remain stable in the next few years. We operate and manage these hotels through our hotel management companies. We have dedicated business units responsible for design, engineering, monitoring, purchasing, marketing, operation, administration and financial management of our hotels.

We are dedicated to building "Agile Hotel" into a recognized "five-star" hotel brand. By associating with the well-known brand names and learning from the extensive experience of our international hotel management partners, we aim to elevate our hotel management and services to world class standards.

The table below sets out details of our key hotels as of June 30, 2019.

	Name of hotels	Location	Status
1	Zhongshan Agile Hotel	Zhongshan	In operation since 2001[1]
2	Shanghai Marriott Hotel City Centre	Shanghai	In operation since 2011
3	Raffles Hainan	Hainan	In operation since 2013
4	Sheraton Bailuhu Resort Huizhou	Huizhou	In operation since 2014
5	Holiday Inn Resort Hainan Clearwater Bay	Hainan	In operation since 2014
6	Howard Johnson Agile Plaza Chengdu	Chengdu	In operation since 2014
7	Tengchong Agile Hotel	Tengchong	In operation since 2015
8	Foshan Agile Hotel	Foshan	In operation since 2008

Note:

(1) We acquired Zhongshan Agile Hotel from a related party.

Investment Properties

We designate certain properties as properties held for long-term rental income or for future capital appreciation purpose. In the first half of 2019, the fair value gains of these properties amounted to approximately RMB1.9 million (US$0.3 million).

The table below sets out details of our major investment properties as of June 30, 2019.

	Name of Property	Location	Approximate GFA
			(sq.m.)[(1)]
1	Xiqiao Metropolis Plaza	Foshan	57,585
2	Agile International Plaza Shanghai	Shanghai	25,668
3	Agile Mall Huadu	Guangzhou	69,094
4	Guangzhou Agile Center	Guangzhou	91,167

Note:

(1) Approximate GFA includes above-ground GFA only.

ENVIRONMENTAL PROTECTION

We have established a diversified environmental protection business covering hazardous waste treatment, water treatment and common solid waste treatment.

As of June 30, 2019, we had a total of 52 environmental protection projects spanning across eight major regions of China, namely Eastern China, Beijing-Tianjin-Hebei, Shandong, Central China, Southern China, Guangxi, Hainan and Western China. Among these 52 projects, 20 of them have commenced operation. The maximum annual processing capacity of all our hazardous waste treatment projects exceeded 3.4 million tonnes as of June 30, 2019. As of the same date, total capacity of landfill was over 16 million cubic meters while the daily maximum processing capacity of the newly developed domestic waste-to-energy projects reached 5,200 tonnes and the daily maximum water treatment capacity reached 2.0 million tonnes.

CONSTRUCTION

We have restructured our construction business in 2018. The restructured construction business is diversified into several categories, with general construction contracting, landscaping and home decoration as its major business, and design consulting and materials trading as its supporting business. We have also obtained key qualification certificates, such as First-class General Construction Contracting, First-class Renovation Project and Grade A Architectural Design, allowing us to provide construction services that tall within their qualification class in the respective categories based on the nature of the construction projects. We believe we have established a vertically integrated construction platform which allows us to provide a wide range of construction services to our customers.

REAL ESTATE CONSTRUCTION MANAGEMENT

In April 2018, we established our real estate construction management business which primarily provides a range of construction management services to the market. We believe we have strong capabilities in supply chain management which allows us to provide partners with high-end technical and professional construction management services ranging from design and application, general management, cost control, brand export to product marketing. The real estate construction management team has been able to provide full industry chain agent construction services for the Agile Tiancheng Dongxi project in Jieyang and Agile Scenic Land project in Qingtian. In addition, the real estate construction management team has entered into cooperation agreements with a number of real estate developers from Guangdong, Jiangsu and Jiangxi with a view to expanding its presence in major city clusters, such as the Guangdong-Hong Kong-Macao Greater Bay Area and in the Yangtze River Delta.

COMPETITION

The property industry in the PRC is highly competitive. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, as well as property developers from Hong Kong, elsewhere in Asia and other parts of the world. A number of our competitors have greater financial, marketing, land and other resources than we do, and have better economies of scale, better name recognition, a longer track record and more established relationships in certain markets. See "*Risk Factors — Risks Relating to Property Development in the PRC — Increasing competition in the PRC, particularly in Southern China Region, Eastern China Region and Hainan Province, may adversely affect our business and financial condition.*"

INTELLECTUAL PROPERTY RIGHTS

We have registered or have applied for the registration of the trademarks "Agile," "雅居樂" and certain variations of them under various categories with the PRC Trademark Office of the State Administration for Industry and Commerce (the "SAIC"). In addition, most of our project companies have registered or have applied for registration of the trademarks of their respective project names under the same categories.

"雅居樂" has been recognized as a "China's Well-known Trademark" (中國馳名商標) and a "Guangdong Provincial Famous Trademark" (廣東省著名商標), respectively, by the SAIC and Guangdong Provincial Administration of Industry and Commerce. We have registered the domain name of "www.agile.com.cn" and certain domain names associated with our project names.

INSURANCE

Consistent with industry practice in the property development industry in China, we do not generally maintain insurance coverage for our properties, whether they are under construction or have been completed and are pending delivery. There are no mandatory legal requirements to maintain insurance coverage in the PRC in respect to our property development operations. We maintain, however, insurance coverage against damage to or loss of certain of our buildings under mortgage for our certain bank borrowings. Since January 1, 2003, we have not suffered any losses or damages or incurred any liabilities relating to our properties that have had a material adverse effect on our business.

Our property management subsidiaries maintain management liability insurance coverage in connection with their business operations. We maintain insurance coverage for certain clubhouses. In addition, we also purchase employee-related insurances, such as pension insurance, for our employees.

EMPLOYEES

As of June 30, 2019, we had 24,523 full time employees. The following table provides a breakdown of our employees by responsibilities as of June 30, 2019:

	Number of Employees
Headquarter	296
Property Development Business	4,003
A-Living	15,514
Construction Business	1,738
Environmental Protection Business	2,194
Others	778
	24,523

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. For each of our property developments, we are required to conduct an environmental assessment and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of construction activities. On the completion of each property development project, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then issued together with other specified documents to the local construction administration authorities for their record. As of the date of this offering memorandum, certain of our property projects are in the process of applying for the approval of environmental impact assessments and the acceptance of the environment protection measures. From November 20, 2017, after a construction project has been completed, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects maintained by the Ministry of Ecology and Environment. We believe that our operations are in compliance with currently applicable national and local environmental and safety regulations in all material respects. See "*Risk Factors — Risks Relating to Our Business — Potential liability for environmental problems could result in substantial costs and delays.*"

LEGAL PROCEEDINGS

From time to time, we have been or may be involved in legal proceedings or other disputes in the ordinary course of business which are primarily disputes with our customers, contractors, employees and joint venture partners.

As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse effect on our business or results of operations. See "*Risk Factors — We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.*"

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, 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 full 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 annul the conflicting 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, 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" (全國人民代表大會常務委員會關於加強法律解釋工作的決議) 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 Court 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 level immediately superior. Second judgments or orders given at the same level and at the level immediately superior 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 may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法), which was adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012 and 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 cannot 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. A time limit of two years is 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, effective on January 1, 1995 and as amended in August 2007 and in August 2009 and recently amended in August 2019 which will be effective on January 1, 2020, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profit. Under the "Regulations on Administration of Development 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 2019, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1 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. Under the "Regulations on Real Estate Developments of Guangdong Province" (廣東省房地產開發經營條例) issued by the Standing Committee of Guangdong Provincial People's Congress in 1993 and as amended in 1997, the registered capital of a property developer in the Guangdong Province ("Guangdong") shall be RMB3 million or more.

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) setting the portion of capital fund of property projects at 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 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 registration authority in its respective locality, 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, the relevant examinations conducted and the relevant approvals obtained.

Under the "Foreign Investment Industrial Guidance Catalog" (外商投資產業指導目錄) (the "Guidance Catalog") promulgated by MOFCOM and the NDRC on March 10, 2015, effective from April 10, 2015, construction of golf course and villas falls within the category of industries in which foreign investment is prohibited, and construction and operation of large theme parks falls within the restricted category. Other real estate development falls within the category of industries in which foreign investment is permitted. 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 in accordance with the Guidance Catalog and other laws and administrative regulations relating to foreign-invested enterprises. On June 28, MOFCOM and the NDRC jointly issued the revised Guidance Catalog effective form July 28, 2017, according to which, foreign investment is permitted in the real estate development industry. On June 30, 2019, MOFCOM and NDRC jointly issued the "Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version)" (外商投資准入特別管理措施(負面清單)(2019年版)) effective from July 30, 2019.

In July 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE promulgated the "Circular 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). Under such circular, when a foreign investor establishes a property development enterprise in China with a total investment amount of US$10 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. Furthermore, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- foreign institutions or individuals who buy property not for their own use in China should follow the principle of Commerce Existence and apply for the establishment of foreign- invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope;

- for establishment of a foreign-invested property enterprise, the commerce authorities and the administration for industry and commerce take charge of the approval and registration of the foreign-invested property enterprise and the issuance of the Approval Certificate for a Foreign-Invested Enterprise (which is only effective for one year) and the Business License. Upon full payment of the land premium, the foreign-invested property enterprise should apply for a "Land Use Right Certificate." With a Land Use Right Certificate, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and an update Business License which will have the same approved business period with the formal approval Certificate for Foreign-Invested Enterprise from the administration of industry and commerce;

- transfers of projects or shares in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (i) a written undertaking of fulfillment of the contract for the State-owned land use rights assignment, the "Construction Land Planning Permit" and the "Construction Works Planning Permit;" (ii) a "Land Use Right Certificate;" (iii) documents evidencing the filing for modification with the construction authorities; and (iv) documents from the relevant tax authorities evidencing the payment of tax; and

- when acquiring domestic property enterprises by way of shares transfer or otherwise, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, with unsound financial track records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC" (關於進一步加強、規範外商直接投資房地產審批和監管的通知) which was amended in October 2015, 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-end properties is to 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 have been obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should have been 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 operations 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 effected according to applicable laws with 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 MOFCOM; and

- for those real estate entities who are wrongfully approved by local authorities for their setups, (i) 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 "Circular 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 circular 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 sq.m., 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.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, MOFCOM issued the "Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector" (關於做好外商投資房地產業備案工作的通知) ("Notice No. 23"). According to Notice No. 23, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level MOFCOM is required to verify all records regarding such foreign-invested real estate enterprise. Notice No. 23 also requires that each foreign-invested real estate enterprise undertake only one approved property project.

On April 6, 2010, the State Council issued the "Opinions on Further Enhancing the Utilization of Foreign Investment" (關於進一步做好利用外資工作的若干意見), which provides that, projects with total investment (including capital increase) of less than US$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Guidance Catalog may be approved by local governments, except for those required to be approved by relevant departments of the State Council under the "Catalog of Investment Projects Approved by the Government" (政府核准的投資項目目錄).

On May 4, 2010, NDRC issued the "Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects" (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Guideline Catalog shall be verified by NDRC at the provincial level, provided that such projects have a total investment (including additional invested capital) of no more than US$300 million. In addition, the circular specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Tentative Administrative Measures for Verification of Foreign-invested Projects. According to the circular, the power to verify the projects within the restricted category under the Guideline Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the "Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment" (商務部關於下放外商投資審批權限有限問題的通知). Under the circular, local authorities are granted the power to examine, approve and administrate the establishment and replacement of (i) foreign invested enterprises which are within the encouraged and permitted categories under the Guidance Catalog and have a total investment of no more than US$300 million, and (ii) foreign invested enterprises which are within the restricted category under the Guidance Catalog and have a total investment of no more than US$50 million.

In November 2010, MOFCOM promulgated the "Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry" (關於加強外商投資房地產業審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises.

On June 24, 2014, 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), which became effective on August 1, 2014, in order to simplify the procedures of registration of foreign investment in the real estate sector in China.

On November 11, 2015, MOFCOM and SAFE jointly issued the "Circular on Further Improving the Record-filing for Foreign Investment in Real Estate" (關於改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been canceled.

On September 3, 2016, the National People's Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the

Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" (外商投資企業設立及變更備案管理暫行辦法) which was amended on July 30, 2017.

On March 15, 2019, the National People's Congress of the PRC adopted the "Foreign Investment Law of the PRC" or the Foreign Investment Law (中華人民共和國外商投資法) with a view toward unifying and streamlining the foreign investment framework into China which will come into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor

- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China

- investment in a new project in China, independently or jointly with any other investor

- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council.

The Foreign Investment Law establishes a nationwide "pre-establishment national treatment and negative list" management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the "Special Administrative Measures (Negative List) for Foreign Investment Access." According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

Qualifications of a Property Developer

Under the "Provisions on Administration of Qualifications of Property Developers" (房地產開發企業資質管理規定) (the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction in March 2000 and amended in May 2015, a property developer shall apply for registration of its qualifications in accordance with 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 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 who fulfills the qualification requirements 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 for one year from the date of 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 restricted 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 sq.m. and the specific scope of business shall be restricted to those agreed by the construction authority 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 of the relevant province, autonomous region or municipality.

Development of a Property Project

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 specified 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 right for a site intended for property development shall be obtained through government grant except for land use right 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 Land and 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. The procedures are as follows:

- The land authority under the people's government of the city and county (the "assignor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as the size of the land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

- The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.

- After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposits to the unsuccessful bidding or auction applicants.

- The assignor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use right according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use right.

- The winning tender or winning bidder should apply for the land registration after paying off the land grant premium in accordance with the state-owned land use right grant contract. The people's government above the city and county level should issue the "Land Use Permit for State-Owned Land."

When carrying out a 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 Land and Resources in March 1999 and as amended in November 2010 and November 2016 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 Land and Resources in July 2001 and as amended in October 2004 and November 2008 and November 2016, respectively. After receiving the preliminary application, the land administration authority shall carry out a preliminary process for the 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 issue a preliminary approval report in respect of the project site. The land administration authority 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 in accordance with 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 development and construction within one year of the construction commencement date stipulated in the land grant contract, then the local land administration authority may impose a fine on the land user an "idle land fee" of up to 20% of the land premium agreed. 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 foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions.

On January 3, 2008, the State Council reiterated the abovementioned policies in the "Notice on Enhancing the Economical and Intensive Use of Land" (關於促進節約集約用地的通知). This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy 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 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

On June 1, 2012, the Ministry of Land and Resources revised and promulgated the "Measure for the Disposal of Idle Land" (閒置土地處置辦法), which clarified the scope and definition of idle land, as well as the corresponding punishment measures. Pursuant to the Measures for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as "idle land":

- any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use; and

- any State-owned land for construction uses of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by competent department of land and resources, unless otherwise prescribed by the new Measures for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the right to use the land and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and

- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Recovering the Right to Use the State-owned Land for Construction Use to the holder of the land use right and recover the right to use the State-owned construction land without compensation.

On September 12, 2014, the Ministry of Land and Resources issued the "Guidelines on Improving Economical and Intensive Use of Land" (關於推進土地節約集約利用的指導意見), which implements the rules regarding idle land and specifies the controlling requirements of the land use standards in the relevant legal documents including land use approvals and land grant contracts.

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 the "Notice of the Ministry of Construction on strengthening the Planning Administration of Assignment and Transfer of the Right to use State-owned Land" (關於加強國有土地使用權出讓規劃管理工作的通知) promulgated and implemented by the Ministry of Construction on December 26, 2002, the grantee to an land grant contract (i.e., a property developer) shall 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 reporting and approval procedures required by the "PRC City and Rural 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 as well as local statutes on municipal planning must be followed and a construction works planning permit must be obtained from the municipal planning authority.

On January 21, 2011, the State Council promulgated the "Regulation on Expropriation and Compensation Related to Buildings on State-owned Land" (國有土地上房屋徵收與補償條例) (the "Expropriation and Compensation Regulation"). The Expropriation and Compensation Regulation provides that, among other things:

(i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;

(ii) compensation shall be paid before the resettlement;

(iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and

(iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the "Measure for the Administration of Construction Permits for Construction Projects" (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban Rural Development on June 25, 2014 and effective from October 25, 2014 and as amend on September 19, 2018.

A property project developed by a property developer shall comply with the relevant laws and statutes, requirements on construction quality, safety standards and technical guidelines on survey, design and construction work, as well as provisions of the relevant construction 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 as amended on October 7, 2017 and further amended on April 23, 2019, 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 Ministry of Housing and Urban-Rural Development in December 2013, and shall also report details of the acceptance examination according to the "Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction in April 2000 and as amended in October 2009. Possession of 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 completed 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 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 Land and 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 aforementioned regulations, the assignor shall prepare the public tender 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 vetting process of the bidding applicants and auction applicants, accept an open public tender 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, then, 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 Land and Resources issued the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (關於加強土地供應管理促進房地產市場持續健康發展的通知) designed to strictly control land supply for high-end luxury property development. On May 30, 2006, the Ministry of Land and Resources published an "Urgent Notice on Tightening Land Administration" (關於當前進一步從嚴土地管理的緊急通知). The notice requires that all land used for property development must be assigned by competitive tender, auction or listing-for-sale, and that the supply of land for new villa projects shall be suspended.

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

On March 8, 2010, the Ministry of Land and Resources promulgated the "Circular on Strengthening Real Estate Land Supply and Supervision" (關於加強房地產用地供應和監管有關問題的通知). Under the circular, the minimum land premium shall not be less than 70% of the benchmark market price in the locality of the parcel of land granted, and the bidding deposit shall not be less than 20% of the minimum land premium. The circular 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 concluded. The down payment of 50% of the land premium shall be paid within one month of the date of land grant contract. The remaining balance shall be paid in accordance with provisions of the land grant contract within one year.

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

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

On January 26, 2011, the State Council circulated the "Notice on Further Regulating the Real Estate Market" (關於進一步做好房地產市場調控工作有關問題的通知), which provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

According to the "Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition)" and the "Catalog for Prohibited Land Use Projects (2012 Edition)" (關於印發《限制用地項目目錄》(2012年本)和《禁止用地項目目錄》(2012年本)) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0.

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

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 shall not be lower than the average actual land supply in the past five years.

To support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household 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 its 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 household that owns two or more residential properties and has paid off all of its 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 and 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 as required by relevant policies.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers.

On February 13, 2017, the Asset Management Association of China issued the "No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions" (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

The MOHURD and the Ministry of Land and Resources jointly issued the "Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply" (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017–2019) and a five-year (2017–2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

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 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. A commodity property may only be sold before completion if the following conditions have been met:

- the land premium has been paid in full for the grant of the land use right involved and a land use right certificate has been obtained;

- a construction works planning permit and a construction works commencement permit have been obtained;

- the funds invested in the development of the commodity properties put up for pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and

- the pre-sale has been registered and a pre-sale permit has been obtained.

Local governments also may also have regulations on pre-sales of commodity properties. In Guangdong Province, according to the "Regulations on Administration of Pre-sale of Commodity Properties of Guangdong Province" (廣東省商品房預售管理條例) promulgated by the Standing Committee of Guangdong Provincial People's Congress in July 1998, as amended in August 2000, July 2010 and September 2014, respectively, and a notice issued by Guangdong Provincial Construction Bureau in January 2001, the following conditions must be satisfied prior to any pre-sale of commodity properties in Guangdong Province:

- a real property development qualification certificate and a business license have been obtained;

- the construction quality and safety monitoring procedures have been performed;

- the structural works and the topping-out must have been completed in respect of properties of not more than seven stories, and at least two-thirds of the structural works must have been completed in respect of properties of more than seven stories;

- a special property pre-sale account with a commercial bank in the place where the project is located has been opened; and

- the properties subject to pre-sale and the related land use rights are free from third-party rights.

In Sichuan Province, under the "Implementation Opinion for the Administration of Pre-sale of Commodity Housing" (關於加強城市商品房預售管理的實施意見) promulgated by the Sichuan Provincial Government in March 2000, any pre-sale of commodity properties in Sichuan Province must satisfy the following conditions:

- the land premium has been paid in full for the grant of the relevant land use right, and a land use right certificate has been obtained;

- a Permit for Construction Works Planning has been obtained;

- in the case of a commodity property with not more than six stories, the structural works and the topping-out must have been completed. In the case of a non-residential property with not more than six stories and a commodity property with seven stories or more, (i) the foundation and ground floor structural works must have been completed if the building has underground facilities and (ii) the foundation and structural construction for the first six floors must have been completed if the building does not have underground facilities; and

- the construction progress and timetable and the completion date have been fixed.

In Nanjing, Jiangsu Province, under the "City of Nanjing Provisional Measures for the Administration of Sale of Commodity Housing of the City of Nanjing" (南京市商品房銷售管理暫行規定) promulgated by the Nanjing Municipal Government on August 4, 1993, any sale of commodity properties in Nanjing must satisfy the following conditions:

- property development right and approval from the Nanjing Municipal Administration for Industry and Commerce have been obtained;

- the land use right has been obtained from the Nanjing Municipal Land Administration Bureau;

- fixed asset investment permit and project approval from the Nanjing Municipal City Planning Bureau have been obtained;

- application for registration of real property ownership has been made to the Nanjing Municipal Real Estate Administration Bureau;

- for those commodity housing with underground facilities, the fund invested on those facilities must have been more than 20% of the total investment budget of the project. For those commodity properties without underground facilities, the construction of the foundation structure must have been completed; and

- the agreements on the use, management and servicing of the commodity properties must have been formulated.

According to the Pre-sale Measures, the proceeds obtained by a real estate developer from the advance sale of commercial housing must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the real estate administrative departments.

Pursuant to the "Rules Governing the Administration of Urban and Town Property Transactions in Chongqing Municipality" (重慶市城鎮房地產交易管理條例) promulgated on June 7, 2002 and implemented on August 1, 2002 by the Standing Committee of the People's Congress of Chongqing

Municipality, a property development entity has to comply with the following conditions in order to obtain a "Commodity Property Pre-sale Permit":

- possesses a business license and the qualification class for property development;

- hold approval documents of land use rights; has paid all premiums in respect of the land use rights obtained by way of grant in accordance with the provisions of land administration laws and regulations and obtained the land use rights certificate;

- holds a construction works planning permit and a commencement of construction works permit;

- in terms of the commodity property available for pre-sale, funds incurred for development and construction have exceeded 25% or more of the total investment for construction works. Where the proposed property for pre-sale is multi-story, the topping of the superstructure has been completed, and for a high-rise, the area under construction has exceeded one-third of the proposed gross floor area approved by planning approvals;

- pre-sale of commodity property proposal. The pre-sale proposal shall specify such information relating to the commodity property, such as the location, fitment standards, works schedule and time of completion and delivery, total area for pre-sale and property management subsequent to delivery and possession, as well as a "Surveying Report of the Area of the Commodity Property for Pre-sale" issued by a professionally competent property surveying organization;

- has opened a designated account for proceeds from pre-sale of commodity property and signed a monitoring agreement with a commercial bank at the location of the project;

- have obtained the demolition permit issued by a property demolition and resettlement complete administration authority for property demolition and resettlement;

- no security right has been created in respect of the proposed commodity property for pre-sale and the land use rights of the land so occupied;

- other conditions as specified by laws and regulations.

According to the "Measures of Property Transactions in Shanghai Municipality" (上海市房地產轉讓辦法) promulgated on April 30, 1997, as amended on September 20, 2000 and April 21, 2004 and December 6, 2010, a property developer must comply with the following requirements in order to obtain a "Commodity Property Pre-Sale Permit":

- the land premium has been fully paid;

- the real estate ownership have been registered with the relevant authority and real estate ownership certificate have been obtained;

- the developer holds a construction works planning permit;

- the developer holds a permit for the commencement of construction work;

- the completed areas of the properties have reached the required standard;

- the completion time of the properties and the plan for constructing related infrastructure have been confirmed;

In accordance with the above regulation, a property developer must apply to the Housing, Land and Resources Administration Bureau or country housing and land administration authorities of Shanghai Municipality, together with the abovementioned documentations, the floor plans. The review of the application shall be completed within 10 working days and the result of the application will be notified in writing. If the abovementioned requirements are met, the Commodity Property Pre-Sale Permit will be granted.

Under the "Circular 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與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 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 allowed to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

On March 16, 2011, NDRC promulgated the "Regulation on Price of Commodity Property" (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect housing prices and relative charges before the property sale, such as commission fee and property management fee. No additional charge beyond what is specified in the price tag or made public by the property developers is permitted.

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), which became effective on March 1, 2015 and 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, and such department 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 natural 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 database for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic database to ensure the real-time sharing of registration information at the national, provincial, municipal and county level; and

- 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), effective from January 1, 2016, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

Transfer of Real Estate

According to the Urban Real Estate Law and the "Regulations 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 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 works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been installed, 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 life of the original term provided by the land grant contract. 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 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 approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

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 parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent governmental construction (real estate) departments of the county, city, or directly-controlled municipality where the housing is located within 30 days of signing the housing tenancy contract. The relevant construction (real estate) departments are authorized to impose a fine of up to RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other legal entities which are not natural persons and which fail to comply with the regulations within the specified time limit.

On June 3, 2016, the General Office of the State Council issued the "Opinions on Accelerating the Cultivation and Development of Leasing Market" (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties.

On July 18, 2017, MOHURD, NDRC and other government departments jointly released the "Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium- sized Cities with a Large Inflow Population" (關於在人口淨流入的大中城市加快發展住房租賃市場的通知, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental- and increasing the proportion of rental housing to the commercial residential building projects.

Mortgages of Real Estate

Under the "Urban Real Estate Law" promulgated in July 1994, as amended in August 2007, 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 a building, 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 come into effect 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 property in development, 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.

In September 2010, PBOC and the CBRC jointly issued the "Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies" (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) on their third or more residential property or to non-local residents who cannot provide documentation payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of terms of the land contract, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

In addition, certain cities have promulgated measures to restrict the number of residential properties a household is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

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

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the "Notice on Further Strengthening Regulation and Control of Real Property Markets", certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to purchase.

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 provides, among others things, that for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. Since August 2014, most of the local governments have issued their respective measures to lift the housing purchase restrictions. For example, Foshan eased its home purchase restriction on August 7, 2014 by allowing non-residents to buy one housing unit and registered local residents to buy up to two units.

To support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household 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 its 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 household that owns two or more residential properties and has paid off all of its 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 and 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 as required by relevant policies.

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

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the "Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund" (關於調整住房公積金個人住房貸款購房最低比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

In February 2016, PBOC and CBRC jointly issued the Circular 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 have not been implemented, the minimum down payment ratio for a first-time home buyer is, in principle, 25% of the property price, which can be adjusted downward by 5% by the local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. In cities that have implemented restrictions on the purchase of residential property, the personal housing commercial loan policies shall remain unchanged.

Real Estate Financing

The PBOC issued the "Circular on Further Strengthening the Management of Loans for Property Business" (關於進一步加強房地產信貸業務管理的通知) in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans should be granted to property developers that are qualified for property development, with high credit ratings and have no overdue payment for construction. For property developers with a high vacancy rate of commodity properties and high debt ratio, banks shall apply more stringent approval procedures for new property development loans and closely monitor their activities.

- Commercial banks shall not grant loans to property developers to finance the payment of land premium.

- Commercial banks may not provide loans in any form for a property development project without a land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

- Commercial banks may only provide housing loans to individual purchasers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. For any additional purchase of residential unit(s), the percentage of the first installment shall be increased.

- When a borrower applies for mortgage loan of individual commodity property, the mortgage shall not be more than 60% of the purchase price of the property. In addition, the tenure of the loan may not be more than 10 years and the commodity house shall be completed and delivery accepted after inspection.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a GFA of 90 sq.m. 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) issued by the State Council 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 monitoring procedures 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 September 2004, any property developer applying for property development loans must have at least 35% of the total 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 People's Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve" (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by the PBOC on 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 Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued "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). 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 sq.m. or more.

On July 10, 2007, SAFE issued a circular indicating that, for foreign-invested enterprises in the property sector, it would not process any foreign debt registration applications or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM after June 1, 2007.

On September 27, 2007, the PBOC and the CBRC issued the "Circular on Strengthening the Credit Management for Commercial Real Property" (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property for use as one's own residence;

- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price; and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a household (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the household that buys another residential unit with loans from banks will be regarded as a second time home buyer;

- for commercial property purchases, (i) prohibiting banks from financing any purchase of pre-sold properties; (ii) increasing the minimum amount of down payment to 50% of the purchase price; (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate; and (iv) limiting the tenure of such bank loans to no more than ten years, although commercial banks are allowed some discretion based on its risk assessment;

- for purchases of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral. 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'' (擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房), 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% for units with an area of less than 90 sq.m.

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 on the purchase of property, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a household (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 with an area of more than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the ''Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Commercial Personal Housing Loans'' (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the ''Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies'' (關於完善差別化住房貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is increased to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation evidencing payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of violating the terms of the land grant, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities, such as Guangzhou, Shenzhen, Foshan, Zhuhai, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian have promulgated measures restricting the number of residential properties a household is allowed to purchase.

In November 2010, MOHURD and SAFE jointly promulgated the ''Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals'' (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, a foreign individual can only purchase one unit of residential property for self-use in the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential properties for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council issued the ''Notice on Further Strengthening Regulation and Control of Real Property Markets'' (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are excessively high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the "Notice on Further Strengthening Regulation and Control of Real Property Markets", certain cities, including Beijing, Shanghai, Chengdu, Qingdao, Hainan, Nanjing, Guangzhou, Tianjin, Shenyang and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

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 provides that for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. On November 15, 2013, the General Office of the People's Government of Guangzhou issued the "Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market" (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires the Guangzhou Branch of PBOC to further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

To support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household 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 its 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 household that owns two or more residential properties and has paid off all of its 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 and 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 as required by relevant policies.

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

On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 2019 under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

Property Management

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version), property management business does not falls within negative list. According to the Guidance Catalog 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, the foreign-invested real estate management enterprise should obtain an approval from the relevant department of commerce and receive a "foreign-invested enterprise approval certificate."

According to the "Regulation on Real Estate Management" (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the "Measures for Administration of Qualifications of Real Estate Management Enterprises" (物業管理企業資質管理辦法) enacted by the Ministry of Construction on March 17, 2004 and enforced on May 1, 2004, a newly established real estate management enterprise shall, within 30 days of receiving its business license, apply to the applicable local authority for the grant of qualification certificate. The applicable local authority will assess the qualification of the applicant and issue a "real estate management qualification certificate" based on assessment. The Ministry of Construction amended the "Measures for Administration of Qualifications of Real Estate Management Enterprises" on November 26, 2007 and changed its title to "Measures for Administration of Qualifications of Real Estate Service Enterprises" (物業服務企業資質管理辦法). The amendment removed the requirement of annual inspection of real estate management enterprises and replaced the references to "real estate management enterprises" with references to "real estate service enterprises."

According to the "Measures for the Administration on Qualifications of Real Estate Service Enterprises," real estate service enterprise shall be accredited as class one, class two or class three of qualification. The Department of Construction of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government are responsible for issuing and administrating the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government are responsible for issuing and administrating the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualification may undertake various property management projects. The real estate service enterprises with class two qualification may provide property management services to residential properties of less than 300,000 sq.m. of GFA and non-residential properties of less than 80,000 sq.m. of GFA. The real estate service enterprises with class three qualification may provide property management services to residential properties with less than 200,000 sq.m. of GFA and non-residential properties with less than 50,000 sq.m. of GFA.

According to the "Regulation on Real Estate Management," 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.

However, on March 8, 2018, the Measures on Administration of Qualification Certificates of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property services.

Insurance

There is no mandatory provision in under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. According to the common practice of the real estate industry in Guangdong, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies are required to pay for the insurance premium at their own costs and 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

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version), Construction and operation of common and economic hotels does not fall within negative list.

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 Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

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 operations of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Supervision on security and fire control

Pursuant to the ''Measures for the Control of Security in the Hotel Industry'' (旅館業治安管理辦法) issued by the Ministry of Public Security of the People's Republic of China and enforced on November 10, 1987, a hotel can start operations 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 reconstruction 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 the 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 food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

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 effective on March 1, 2006 and as amended in February 2016, hotels that operate singing, dancing and game facilities for profit should apply to the relevant local competent authorities of culture administration for entertainment commercial operations 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 "Regulations of the Ministry of Construction on the Conditions for the Fifteen Items of Administrative Licensing that are Included in the Decisions of the State Council" (建設部關於納入國務院決定的十五項行政許可的條件的規定) enacted by the Ministry of Construction on October 15, enforced on December 1, 2004, hotels that use or plan to use the city sewage system for water drainage should apply to the local city construction authority for city water-draining permit.

Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers are treated as special equipment 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 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 EIT Law which was promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008 and as amended on February 24, 2017 and December 29, 2018, respectively, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the EIT Law and its implementation rule provide that a withholding tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

Business Tax and Value Added Tax

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" (中華人民共和國營業稅暫行條例) promulgated by the State Council in 2008, the tax rate of the transfer of immovable properties, their superstructures and attachments is 5%. The business tax rate for our property management and hotel operation businesses is also 5%. Pursuant to the "Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax" (關於全面推開營業稅改徵增值稅試點的通知) and the "Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax" (營業稅改徵增值稅試點實施辦法) issued by the MOF and SAT on March 23, 2016. On May 1, 2016, the "transitioning from business tax to value-added tax" scheme became effective. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Pursuant to the "Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers" (房地產開發企業銷售自行開發的房地產專案增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by SAT, "self- development" means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company ("taxpayer"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estate self-development in accordance with the following formula:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) X 3%

The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects which commencement dates of construction are not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 but has yet to receive Construction Permits.

On November 19, 2017, the Interim Regulations of the People's Republic of China on Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax. According to a notice jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the VAT rate has been lowered from 17 percent to 16 percent for manufacturing and some other industries, and from 11 percent to 10 percent for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. Starting from April 1, 2019, the VAT rate for real estate industry has been lowered from 10% to 9%.

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 and effective on January 1, 1994, and the "Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (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 rights;
- 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;
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the "Provisional Regulations, the Detailed Implementation Rules" and the "Notice Issued by the Ministry of Finance in Respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994" (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) announced by the Ministry of Finance and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- Property taken over and repossessed according to the law due to the construction requirements of the government;

- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities' approval;

- For property assignments which were signed before January 1, 1994, whenever the properties are transferred, the LAT shall be exempted;

- Either when the property assignments were signed before January 1, 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Administration of Taxation, the tax-free period would then be appropriately prolonged.

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 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 "Circular 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 Circular 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.

- For taxpayers whose shareholders or joint-cooperation partners contributed real properties as capital to such taxpayers, the temporary tax exemption in relation to ordinary residential properties does not apply.

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.

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 uncompleted 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 cancelation 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; (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.

To further strengthen LAT enforcement, 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 "Circular on Issues Concerning Settlement of Land Appreciation Tax" (關於土地增值稅清算有關問題的通知) which clarifies revenue recognition in the settlement of LAT and other relevant issues. According to the said circular, in the settlement of LAT, if the sales invoices of commodity properties are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity properties 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 proceeds. If the area of a commodity property specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey, and if purchase price for the property is made up or refunded before the settlement of LAT, adjustments shall be made accordingly in the calculation of LAT. The said circular also provides that the deed tax paid by a real estate development enterprise for land use rights shall be treated as the "relevant fees paid in accordance with the uniform regulations of the state" and be deducted from the "amount paid for land use rights."

On May 25, 2010, the State Administration of Taxation published the "Circular on Strengthening the Collection and Administration of Land Appreciation Tax" (關於加強土地增值稅徵管工作的通知) to require all local governments to scientifically formulate the tax rate and strengthen provisional LAT taxation. According to this circular, all local governments shall make adjustments to the current provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the provisional LAT rate 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 and as amended on March 2, 2019, 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 foresaid 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 "Implementation Provisions on Deed Tax in Guangdong Province" promulgated by the People's Government of Guangdong in May 1998, the rate of deed tax in Guangdong is 3%.

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) implemented by the State Council on November 1, 1988 and amended on December 31, 2006 and January 8, 2011, and further amended on December 7, 2013 and March 2, 2019, 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. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the "Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China" promulgated by the Ministry of Finance on November 2, 1988 and the "Approval on Land Use Tax Exemption of Foreign-Invested Enterprises" issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

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) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986, the property tax rate is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

On January 27, 2011, the government of Chongqing Municipality issued the "Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties" (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the "Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties" (重慶市個人住房房產稅徵收管理實施細則), each effective on January 28, 2011. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from January 28, 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years, and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax rates at 0.5%, 1% or 1.2%, respectively, of the property's purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax rate at 0.5% of the property's purchase price. The following area will be deductible from the tax base: (i) 180 sq.m. for stand-alone residential properties (such as villas) purchased before January 28, 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for a household, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the "Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai" (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

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 on January 8, 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 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) implemented on February 8, 1985 and amended on January 8, 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 will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurrent before December 1, 2010.

Education Surcharge

Under the "Interim Provisions on 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 further amended on 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). Under the "Supplementary Notice Concerning Imposition of Education Surcharge" (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the "Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises" and the "Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises" issued by the State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid "Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals", 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", 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 will be 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 "Circular 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," jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and 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.

- Starting from June 1, 2005, business tax on 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 sq.m., and the actual transfer price is lower than 1.2 time 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" 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 sq.m. or the internal gross floor area of a single unit is less than 144 sq.m., and the actual transfer price is lower than 1.44 time 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 Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued 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). 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 sq.m. 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 sq.m. 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.

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

To carry out "Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices," the Ministry of Construction promulgated "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 sq.m. 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.

Also on July 6, 2006, the Ministry of Construction, the NDRC and the SAIC promulgated the "Notice for the Further Rationalization and Standardization of the Real Estate Market" (關於進一步整頓規範房地產交易秩序的通知) with serial code of JZF 2006 No. 166, or the "166 Notice." According to the 166 Notice:

- a real estate developer must commence selling the property within 10 days of the receipt of the pre-sale permit for the project;

- the resale of any unit of a pre-sold uncompleted commodity building is prohibited;

- the advertisement of pre-sale prior to obtaining the relevant pre-sale permit is prohibited; and

- standard forms for the sale and purchase of a unit of a commodity building before or after its completion must be made available to a purchaser.

On July 11, 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly promulgated the "Opinions on Regulating 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 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 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 business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use rights 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 rights 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 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, SAFE and the Ministry of Construction jointly issued "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). 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, MOFCOM and SAFE promulgated the "Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry" (關於進一步加強、規範外國直接投資房地產審批和監管的通知) (Shang Zi Han No. 50, 2007) which was amended in October 2015. The circular provides stricter controlling measures including, among others:

- Where the application in filed for establishment of the real estate company, the land use rights, 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 Ministry of Construction's filing requirement.

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate 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," (擴大商業性個人住房貸款利率下浮幅度) 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 sq.m., 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 LAT.

On December 20, 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (關於促進房地產市場健康發展的若干意見), which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax 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;

(iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to "low-to medium-level price" or "small-to medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a "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收政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner's purchase. This notice became effective on January 28, 2011 and was replaced by a notice of the same name on March 13, 2015, which stipulated that business tax is imposed on (i) the full amount of transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than 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 date of the individual owner's purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

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; (ii) for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties; and (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration. On November 15, 2013, the general office of the People's Government of Guangzhou issued the "Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market" 《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the speeding up of low-cost commodity housing supply and controlling of high-end commodity housing supply. The low-density commodity housing projects under construction will be approved for sale only after the completion of the initial registration of the real estate; (2) non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for three consecutive years are permitted to purchase only one house (including newly built houses and second-hand houses); and (3) the Guangzhou Branch of PBOC should further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

On September 30, 2014, the PBOC and CBRC jointly issued the "Notice on Further Improving Financial Services for Real Estate Sector" (關於進一步做好住房金融服務工作的通知), which provides that where a household 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 its 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 household that owns two or more residential properties and has paid off all of its 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 and 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 as required by relevant policies.

In March 2015, the PBOC, CBRC and 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 where households that own a residential property and have not paid off their existing mortgage loan applies for a new mortgage loan to buy another residential property to improve their 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.

On February 1, 2016, the PBOC and CBRC jointly issued the "Notice on the Adjustment of Individual Housing Loans Policies" (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

On October 10, 2016, the MOHURD issued the "Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order" (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

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 "Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices" 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, the NDRC, and the SAIC jointly 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 issued by the State Council which came into effect on April 1, 1996 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, 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 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 SAFE or its relevant branches must be sought.

On April 28, 2013, SAFE issued the "Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration" (國家外匯管理局關於發佈〈外債登記管理辦法〉的通知), which became effective on May 13, 2013 and 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 penalty 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 the difference between its total investment and registered capital. Provided that such difference between its total investment and registered capital after increasing its capital is smaller than that of before increasing its capital, the smaller one shall prevail, (ii) that SAFE will no longer process foreign debt registration or foreign exchange settlement 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 registered capital has not been fully paid, 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, and SAFE will not process foreign debt registration for such enterprises.

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system.

On May 11, 2013, SAFE issued the "Notice on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Ancillary 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, 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 Projects" (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; (iii) simplifying the procedures for remitting profits offshore by domestic enterprises.

In March 30, 2015, the SAFE issued "Notice on the Reform of Foreign Investment Enterprises of Foreign Exchange Capital Settlement Management" (關於改革外商投資企業外匯資本金結匯管理方式的通知) which will be effective since June 1, 2015. The notice provides that a voluntary foreign exchange settlement system will be established. On June 9, 2016, SAFE issued the "Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement" (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On October 23, 2019, SAFE issued the Circular to Further Promote Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this offering memorandum.

Name	Age	Position
Mr. CHEN Zhuo Lin	57	Chairman, President and Executive Director
Mr. CHAN Cheuk Yin.	52	Vice Chairperson and Non-executive Director
Madam LUK Sin Fong, Fion(1)(3)	58	Vice Chairperson and Non-executive Director
Mr. CHAN Cheuk Hung(4).	62	Executive Director and Vice President
Mr. HUANG Fengchao(4).	57	Executive Director
Mr. CHEN Zhongqi(4)	51	Executive Director
Mr. CHAN Cheuk Hei.	60	Non-executive Director
Mr. CHAN Cheuk Nam	56	Non-executive Director
Dr. CHENG Hon Kwan(1)(2)(3)	92	Independent Non-executive Director
Mr. KWONG Che Keung, Gordon(1)(2)(3). .	70	Independent Non-executive Director
Mr. HUI Chiu Chung, Stephen(1)(2)(3)	72	Independent Non-executive Director
Mr. WONG Shiu Hoi, Peter(1)(2)(3)(4).	78	Independent Non-executive Director
Mr. PAN Zhiyong	50	Vice President
Mr. WANG Haiyang	49	Vice President
Madam YUE Yuan	44	Vice President
Mr. LI Xuejun	38	Vice President
Mr. LIU Tongpeng	49	Vice President
Mr. CHEUNG Lap Kei	47	Company Secretary

Notes:

(1) Member of the Remuneration Committee.

(2) Member of the Audit Committee.

(3) Member of the Nomination Committee.

(4) Member of the Risk Management Committee.

DIRECTORS

Our Board of Directors consists of 12 directors, four of whom are executive directors, four of whom are non-executive directors and four of whom are independent non-executive directors. Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam are brothers and Madam Luk Sin Fong, Fion is the spouse of Mr. Chen Zhuo Lin. 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 positions of each of our Directors is provided below.

CHEN Zhuo Lin (陳卓林), aged 57, is the Chairman of the Board and the President of the Company. Mr. Chen is the founder of the Group. He has been the Chairman of the Board and an executive director of the Company since August 2005 and a President of the Company since March 2014. Mr. Chen is also a director of certain subsidiaries of the Company. Mr. Chen has over 26 years of extensive experience in real estate development and management. He is mainly responsible for the formulation of development strategies, directions on the operations and management of overall business, decision-making on investment projects, setting the goal of the financial year for the Group and maintaining the relationships between the Group and the shareholders of the Company. Mr. Chen received several honorary awards, including "World Outstanding Chinese Award (世界傑出華人獎)", "Top 30 Chinese Philanthropists in 30 Years of Reform (改革開放30年，華人慈善30人)", "China Philanthropy Outstanding Contribution Individual Award (中華慈善突出貢獻人物獎)", "Top 10 Persons of the Year for China Enterprise Management Excellence Award (中國企業十大卓越管理年度人物)", "Year of the People in Education of Zhongshan (中山教育年度人物)" and "Honorary Resident in Zhongshan (中山市榮譽市民)". For the public services, Mr. Chen serves as an executive vice chairperson of China Overseas Chinese Entrepreneurs Association (中國僑商投資企業協會), an honorary vice president of Chinese Language and Culture Education Foundation of China (中國華文教育基金會), the vice chairperson of Friends of Hong Kong Association Development Foundation, the vice president of New Home Association, the vice chairperson of Zhongshan Overseas Chinese Commercial Association (中山市僑資企業商會), an honorary vice chairperson of Sun Yat-sen Foundation (孫中山基金會), the executive vice chairperson of Guangdong Overseas Chinese Enterprises Association (廣東省僑商投資企業協會) and an executive chairperson of the 4th Guangdong Real Estate Chamber of Commerce (廣東省地產商會). Mr. Chen is the brother of Chan Cheuk Yin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam and also the spouse of Luk Sin Fong, Fion.

CHAN Cheuk Yin (陳卓賢), aged 52, has been the Vice Chairperson of the Board and a non-executive director of the Company since March 25, 2015. He had been an executive director and Vice Chairperson of the Board and Co-president of the Company from August 2005 to March 28, 2014; a non-executive director from March 28, 2014 to October 10, 2014; an executive director and an Acting Co-chairperson of the Board and Acting Co-president of the Company from October 10, 2014 to March 25, 2015. Mr. Chan is also a director of certain subsidiaries of the Company. He has over 26 years of extensive experience in real estate development and management. Mr. Chan is mainly responsible for the participation in Board meetings to provide advice on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and for the scrutinisation of the Group's performance. Mr. Chan has received several honorary awards, including "Guangdong Province Outstanding Entrepreneurs of Privately-owned Enterprises (廣東省優秀民營企業家)" in 2003, "2006–2007 The Most Respected Entrepreneurs in Guangzhou, PRC (2006–2007年中國廣州最受尊敬企業家)" in 2007 and "Top 10 Philanthropist in Guangdong (廣東十大慈善人物)" in 2008. For the public services, he is an honorary chairperson of 3rd Council of Guangdong Provincial Qiaoxin Charity Foundation (廣東省僑心慈善基金會). In addition, he was an honorary vice chairperson of China Charity Federation (中華慈善總會) in 2007 and the executive chairperson of Guangdong Real Estate Chamber of Commerce (廣東省地產商會). Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam.

LUK Sin Fong, Fion (陸倩芳), aged 58, has been the Vice Chairperson of the Board and a non-executive director of the Company since March 25, 2015. She had been an executive director, Vice Chairperson of the Board and Co-president of the Company from August 2005 to March 28, 2014; a non-executive director from March 28, 2014 to October 10, 2014; an executive director, an Acting Co-chairperson of the Board and an Acting Co-president of the Company from October 10, 2014 to March 25, 2015. She is also a member of remuneration committee and nomination committee of the Board and a director of certain subsidiaries of the Company. Madam Luk has over 26 years of extensive experience in real estate development and management; in particular she has outstanding achievement in strategic marketing and marketing management. She is mainly responsible for the participation in Board meetings to provide advice on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and for the scrutinisation of the Group's performance. Madam Luk holds a Master's degree in Business Administration from Western Sydney University (formerly known as University of Western Sydney) in Australia. She has received several honorary awards, including "Honorary Resident in Foshan (佛山市榮譽市民)" in 2004, "Honorary Resident in Nanhai District (南海區榮譽市民)" in 2004, "Zhongshan Outstanding Entrepreneurs (中山優秀企業家)" in 2006, "China Top 10 Excellent CBO (中國十大卓越CBO)" in 2008 and "Honorary Resident in Zhongshan (中山市榮譽市民)" in 2009. For the public services, Madam Luk is currently the vice chairperson of Guangzhou Housing Society (廣州市房地產協會). She was an honorary chairperson of Guangdong Provincial Qiaoxin Charity Foundation (廣東省僑心慈善基金會). She is the spouse of Chen Zhuo Lin.

CHAN Cheuk Hung (陳卓雄), aged 62, has been an executive director of the Company since August 2005. He is also a member of the risk management committee of the Board and the Vice President of the Company and a director of certain subsidiaries of the Company. Mr. Chan has over 26 years of extensive experience in real estate development and related business. He is mainly responsible for the control of construction quality, progress and cost of the Group's projects and management of contractors, as well as the management of the operation of Zhongshan Fashion Decoration Co., Ltd. (中山市時興裝飾有限公司) and Guangzhou Zhenzhong Construction Co., Ltd. (廣東振中建設有限公司). Mr. Chan has received several honorary awards, including "Honorary Resident in Foshan (佛山市榮譽市民)" and "Community Construction Outstanding Contribution Award (小區建設突出貢獻獎)" in National Xiaokang Housing Demonstration Community Competition (國家小康住宅示範小區評比) hosted by Ministry of Construction (國家建設部) in 2000. For the public services, he was a standing committee member of Guangdong Province Real Estate Association (廣東省房地產業協會) in 2004. He is also an executive director and co-chairman of the board, and a member of the risk management committee of A-Living

Services Co., Ltd. (雅居樂雅生活服務股份有限公司) (stock code: 3319) ("A-Living"). He was a non-executive director of A-Living from July 21, 2017 to May 31, 2018. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hei and Chan Cheuk Nam.

HUANG Fengchao (黃奉潮), aged 57, has been an executive director of the Company since March 28, 2014. He is also the chairperson of the risk management committee of the Board, Vice President of the Company and a director of certain subsidiaries of the Company. Since joining the Group in 1999, Mr. Huang had been the head of real estate management center of the Group, general manager of Huadu and Nanhu projects and regional head of Hainan and Yunnan region. Prior to joining the Group, he worked for ExxonMobil (China) Co. Ltd. (美國埃索(中國)有限公司) and France TOTAL (China) Ltd. (法國道達爾(中國)有限公司). He is also an executive director and co-chairman of the board, the chairperson of the risk management committee, a member of the remuneration and appraisal committee and nomination committee of A-Living, and performs the duties of the chief executive officer and general manager of A-Living.

CHEN Zhongqi (陳忠其), aged 51, has been an executive director of the Company since March 28, 2014. He is also a member of the risk management committee of the Board, Vice President of the Company and a director of certain subsidiaries of the Company. Since joining the Group in 1993, Mr. Chen had been a project controller and chief engineer, supervisor of the Project Engineering Department, deputy manager of Project Management Department and the deputy head of Real Estate Management Centre of the Group. He is mainly responsible for the management of the project development of the Group's real estate business, including monitoring the quality, progress, technology, contracts and quantity surveying of projects. Mr. Chen received his professional qualification in industrial and civil construction from Neijiang Normal University (內江師範學院) in 1991. He is also qualified as a budgeting engineer and a registered quantity surveyor.

CHAN Cheuk Hei (陳卓喜), aged 60, has been a non-executive director of the Company since March 28, 2014. He had been an executive director and a Senior Vice President of the Company from August 2005 to March 28, 2014. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan has over 26 years of extensive experience in real estate development and related business. He is mainly responsible for the participation in Board meetings to provide advice on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and for the scrutinisation of the Group's performance. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hung and Chan Cheuk Nam.

CHAN Cheuk Nam (陳卓南), aged 56, has been a non-executive director of the Company since March 28, 2014. He had been an executive director and a Senior Vice President of the Company from August 2005 to March 28, 2014. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan has over 26 years of extensive experience in real estate development and management. He is mainly responsible for the participation in Board meetings to provide advice on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and for the scrutinisation of the Group's performance. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hung and Chan Cheuk Hei.

CHENG Hon Kwan (鄭漢鈞), GBS, OBE, JP, aged 92, has been an independent non-executive director of the Company since October 27, 2005. He is also the chairperson of remuneration committee and a member of audit committee and nomination committee of the Board. Dr. Cheng is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Science in Engineering degree from Tianjin University and a postgraduate diploma from Imperial College London. Dr. Cheng was also awarded several honorary doctorate degrees by The Hong Kong University of Science and Technology, City University of Hong Kong, The Open University of Hong Kong and The Open University, United Kingdom, and is an honorary fellow of Imperial College London and City and Guilds of London Institute. Dr. Cheng is a past president, honorary fellow and gold medallist of The Hong Kong Institution of Engineers; past vice president, fellow and gold medallist of The Institution of Structural Engineers; fellow of The Institution of Civil Engineers, United Kingdom and American Society of Civil Engineers, an honorary fellow of The Institution of Engineers, Australia and Hong Kong Institute of Architects and an honorary member of The Hong Kong Institute of Planners. He obtained PRC Class 1 Registered Structural Engineer qualification. Dr. Cheng is an Authorised Person and a Registered Structural Engineer under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong); and past chairman of Hong Kong Housing Authority and Transport Advisory Committee. He is a past member of both Executive Council and Legislative Council and a past member of standing committee of Tianjin Committee of the Chinese People's Political Consultative Conference. Dr. Cheng is currently a permanent honorary chairman of Hong Kong Tianjin Friendship Association. Dr. Cheng is currently an independent non-executive director of Tianjin Development Holdings Limited (stock code: 882). He retired as an independent non-executive director of Hang Lung Group Limited (stock code: 10) and resigned as an independent non-executive director of Hang Lung Properties Limited (stock code: 101) in April 2015.

KWONG Che Keung, Gordon (鄺志強), aged 70, has been an independent non-executive director of the Company since October 27, 2005. He is also the chairperson of audit committee and a member of remuneration committee and nomination committee of the Board. Mr. Kwong is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Social Science degree from The University of Hong Kong and is a fellow member of both The Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants. Mr. Kwong is currently an independent non-executive director of a number of companies, including NWS Holdings Limited (stock code: 659), OP Financial Limited (formerly known as OP Financial Investments Limited) (stock code: 1140), Global Digital Creations Holdings Limited (stock code: 8271), China Power International Development Limited (stock code: 2380), Henderson Land Development Company Limited (stock code: 12), Henderson Investment Limited (stock code: 97), Chow Tai Fook Jewellery Group Limited (stock code: 1929), FSE Services Group Limited (formerly known as FSE Engineering Holdings Limited) (stock code: 331), Shanghai Commercial Bank Limited and Piraeus Port Authority S.A. (a company listed in Athens, Greece). He retired as an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. (stock code: 1919) in May 2017 and CITIC Telecom International Holdings Limited (stock code: 1883) in June 2017. Mr. Kwong was a partner of Pricewaterhouse from 1984 to 1998 and a council member of Hong Kong Stock Exchange from 1992 to 1997.

HUI Chiu Chung, Stephen (許照中), JP, aged 72, has been an independent non-executive director of the Company since June 27, 2014. He is also the chairperson of nomination committee, a member of audit committee and remuneration committee of the Board. Mr. Hui is mainly responsible for providing independent advice to the Board. He has over 40 years of experience in the securities and investment industry. He is a senior fellow member of Hong Kong Securities and Investment Institute and a fellow member of The Hong Kong Institute of Directors. He had been serving as a council member and vice chairman of Hong Kong Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission ("SFC"), a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchanges and Clearing Limited, an appointed member of the Securities and Futures Appeal Tribunal, a member of the Standing Committee on Company Law Reform, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A, a member of the Committee on Real Estate Investment Trusts of the SFC and an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Hui is a member of Hengqin New Area Development Advisory Committee and Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. Mr. Hui was appointed by the Government of Hong Kong as a Justice of the Peace. He is currently a non-executive director of Luk Fook Holdings (International) Limited (stock code: 590) and the chairman and chief executive officer of Luk Fook Financial Services Limited. He also serves as an independent non-executive director of China South City Holdings Limited (stock code: 1668), Gemdale Properties and Investment Corporation Limited (stock code: 535), Lifestyle International Holdings Limited (stock code: 1212), SINOPEC Engineering (Group) Co., Ltd. (stock code: 2386), Zhuhai Holdings Investment Group Limited (stock code: 908) and FSE Services Group Limited (formerly known as FSE Engineering Holdings Limited) (stock code: 331). He resigned as an independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711) in February 2015, and retired as an independent non-executive director of Hong Kong Exchanges and Clearing Limited (stock code: 388) in April 2015.

WONG Shiu Hoi, Peter (黃紹開), aged 78, has been an independent non-executive director of the Company since June 27, 2014. He is also a member of audit committee, nomination committee, remuneration committee and risk management committee of the Board. Mr. Wong is mainly responsible for providing independent advice to the Board. He holds a Master of Business Administration Degree from The University of Macau (formerly known as The University of East Asia, Macau). Mr. Wong possesses over 40 years of experience in the financial services industry. For the public services, he was a former chairman of The Hong Kong Institute of Directors, a former member of Standing Committee of Company Law Reform, Listing Committee of Hong Kong Stock Exchange, Financial Services Advisory Committee and Professional Services Advisory Committee of the Hong Kong Trade Development Council and a former director of the Hong Kong Securities and Investment Institute. He was a former overseas business advisor of Haitong Securities Company Limited and an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited. He is currently a consultant of Halcyon Holdings Limited, and an independent non-executive director of High Fashion

International Limited (stock code: 608), Tianjin Development Holdings Limited (stock code: 882), Target Insurance (Holdings) Limited (stock code: 6161) and Tai Hing Group Holdings Limited (stock code: 6811).

SENIOR MANAGEMENT

The business address for all members of our senior management in the PRC is at 33rd Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, Postal Code: 510623, and in Hong Kong is at 18th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong.

A description of the business experience and present positions of our senior management is provided below.

PAN Zhiyong (潘智勇), aged 50, is the Vice President of the Company and performs the duties of chief financial officer of the Company. Mr. Pan joined the Group in 2017. He is mainly responsible for financial management, investment business, legal affairs, human resources and administration management of the Group, the affairs of Hong Kong office and capital investment group of the Company. Before joining the Group, Mr. Pan had held different positions in Agricultural Bank of China ("ABC"), Guangdong branch including the general manager of marketing development department, institutional business division and corporate business management department, an assistant to president, the vice president, in charge of financial accounting, international business, corporate business, investment banking and asset management, etc.. He had been the president of ABC, Zhaoqing branch. Mr. Pan holds a Bachelor of Economics degree in Finance from Jinan University, a Master of Business Administration degree in Business Administration and a Doctoral of Management Science degree in Management Science and Engineering from South China University of Technology. Mr. Pan also has a senior economist qualification. He had been awarded the "Senior Financial Management Talent of Guangzhou (廣州市金融高級管理人才)", "Model Worker of Zhaoqing City (肇慶市勞動模範)" and "Ten Outstanding Young Persons of ABC, Guangdong Branch (中國農業銀行廣東省分行十大傑出青年)". He is the executive vice president of China Interchange Association of Top Credit-rating Property Enterprises Association (中國地產資信強企交流會), deputy secretary of Guangdong Venture Capital and Private Equity Association (廣東省創業投資協會) and representative of the Standing Committee of China Mergers & Acquisitions Association (中國併購公會).

WANG Haiyang (王海洋), aged 49, is the Vice President of the Company and the President of the Company's property group. Mr. Wang joined the Group in July 2011. He was the General Manager of China Machinery TDI International Engineering Co., Ltd, Zhongshan branch (中機十院國際工程有限公司中山分行). Mr. Wang holds a Bachelor's degree in Construction Engineering from Xi'an University of Technology. He obtained PRC Class 1 Registered Structural Engineer qualification.

YUE Yuan (岳元), aged 44, is the Vice President of the Company and its property group and an assistant to Chairman. Madam Yue joined the Group in 2006. She is mainly responsible for the management of the President Office, the Operation and Information Management Department of the Company, and also the costing centre, the procurement centre and the finance centre of the Company's property group. Madam Yue holds a Bachelor of Engineering degree from Lanzhou Jiaotong University (formerly known as Lanzhou Railway University) and a Master of Science degree in Construction Project Management from the University of Hong Kong. She is a PRC intermediate economist, a PRC registered budgeting engineer and a member of the Royal Institution of Chartered Surveyors.

LI Xuejun (李雪君), aged 38, is the Vice President of the Company and the President of the Company's environmental protection group. Mr. Li joined the Group in March 2008. He had been an assistant to Vice President, an assistant to Chairman, the general manager of operation department of the Company and operation centre of the Company's property group. He is mainly responsible for the business operation of the Company's environmental protection group. Mr. Li holds a Bachelor of Water Supply and Drainage from Tongji University and a Master's degree in Business Administration from Tsinghua University.

LIU Tongpeng (劉同朋), aged 49, is the Vice President of the Company. Mr. Liu joined the Group in November 2018. He is mainly responsible for the business operation of the Group's audit and supervision department. Prior to joining the Group, Mr. Liu had held different positions in Industrial and Commercial Bank of China ("ICBC"), including vice president and president of ICBC, Zhongshan Branch and vice president of ICBC, Guangdong Branch. Mr. Liu holds a Bachelor of Economics of Hunan Finance and Economics University. He is a senior economist.

CHEUNG Lap Kei (張立基), aged 47, is the Company Secretary of the Company. Mr. Cheung joined the Group in September 2019. He is mainly responsible for company secretarial, legal and compliance matters of the Group. Mr. Cheung graduated from the Australian National University with a Bachelor's degree in commerce and Deakin University, Australia, with a Master's degree in business administration. He is a member of the Hong Kong Independent Non-Executive Director Association. He is also a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia respectively.

COMPENSATION OF DIRECTORS

The aggregate amount of fees, salaries, housing allowances, contributions to pension schemes, other allowances and benefits in kind paid by the Company to our directors during 2016, 2017 and 2018 and the first half of 2019 were approximately RMB23.5 million, RMB29.3 million, RMB24.6 million (US$3.6 million) and RMB9.3 million (US$1.3 million), respectively.

AUDIT COMMITTEE

We have an audit committee in compliance with the Listing Rules. The functions of the audit committee are to review our accounting policies, supervise our financial reporting system, monitor the performance of our external auditor and internal audit department, review and evaluate the effectiveness of our financial reporting procedures and internal controls and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by our board of directors. The audit committee consists of four members, all of whom are independent non-executive directors. Mr. Kwong Che Keung, Gordon is the chairperson of the audit committee.

REMUNERATION COMMITTEE

We also have a remuneration committee. The remuneration committee is mainly responsible for making recommendations to the Board on the remuneration packages of individual Directors (including executive Directors and non-executive Directors) and senior management of the Group, formulating the policies and structure for remuneration of Directors and senior management of the Group and establishing a formal and transparent procedure for developing remuneration policy. Remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment. In determining remuneration of Directors and senior management, the Board will consider the remuneration level of comparable companies, the time commitment and responsibilities and employment conditions elsewhere in the Group, individual performance of respective Directors and the Company's performance. The remuneration committee consists of five members, four of whom are independent non-executive directors. Dr. Cheng Hon Kwan is the chairperson of the remuneration committee.

NOMINATION COMMITTEE

We also have a nomination committee. The nomination committee is responsible for establishing a formal and transparent approach for the appointment or re-appointment of directors, providing recommendations to the Board for new appointments or re-election and succession plan of directors, reviewing the structure, number of members and composition of the Board, evaluating the performance of existing directors and their contribution towards the Company, reviewing the board diversity policy, assessing the independence of independent non-executive directors and reviewing the disclosures on director independence and addressing other significant issues concerning the nomination of directors. The nomination committee consists of five members, four of whom are independent non-executive directors. Mr. Hui Chiu Chung, Stephen is the chairperson of the nomination committee.

RISK MANAGEMENT COMMITTEE

We also have a risk management committee. The risk management committee is mainly responsible for considering and formulating risk management framework, reviewing and assessing the effectiveness of the Group's risk management framework, monitoring the implementation of risk control and ensuring it is effectively implemented. The risk management committee consists of four members, one of whom is independent non-executive director. Mr. Huang Fengchao is the chairperson of the risk management committee.

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the "Share Award Scheme") on December 10, 2013 to recognize the contributions by certain employees. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of shares of the Company which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time; the Board shall not make any further award of awarded shares which will result in the nominal value of the shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time.

The Company issued and allotted a total of 34,470,000 awarded shares to Bank of Communications Trustee Limited as trustee on February 10, 2014 to hold on trust for such employee(s) selected by the Board ("Selected Employees") in accordance with the trust deed and rules of the scheme. These awarded shares will be transferred to such Selected Employees upon their satisfaction of relevant vesting conditions specified by the Board at the time of the grant. 32,750,000 out of 34,470,000 awarded shares ("Awarded Shares") were granted to certain Selected Employees. Following the confirmation that relevant vesting conditions have not been satisfied, the first and the second 30% Awarded Shares have lapsed effective from August 26, 2015 and August 23, 2016 respectively, and the remaining 40% of the Awarded Shares have lapsed effective from August 28, 2017.

PRINCIPAL SHAREHOLDERS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2019, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which (i) were notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and Hong Kong Stock Exchange, were as follows:

(1) Long positions in the shares of the Company

	Number of shares of the Company held				
Name of director	Capacity of interests held	Number of shares	Note	Total number of shares	Approximate percentage to issued share capital of the Company
Chen Zhuo Lin	Beneficiary of a trust	2,453,096,250	1	2,597,944,500	66.32%
	Beneficial owner	80,564,000			
	Controlled corporation	14,276,250	2		
	Controlled corporation	50,008,000	3		
Chan Cheuk Yin	Beneficiary of a trust	2,453,096,250	1	2,468,783,750	63.03%
	Controlled corporation	15,687,500	4		
Luk Sin Fong, Fion	Beneficiary of a trust	2,453,096,250	1	2,597,944,500	66.32%
	Controlled corporation	14,276,250	2		
	Spouse	130,572,000	5		
Chan Cheuk Hung	Beneficiary of a trust	2,453,096,250	1	2,453,096,250	62.63%
Chan Cheuk Hei	Beneficiary of a trust	2,453,096,250	1	2,460,971,250	62.83%
	Beneficial owner	7,875,000	6		
Chan Cheuk Nam	Beneficiary of a trust	2,453,096,250	1	2,459,877,750	62.80%
	Beneficial owner	6,781,500	7		
Huang Fengchao	Beneficial owner	1,400,000		1,400,000	0.04%

Notes:

(1) Held by Full Choice Investments Limited ("Full Choice") as trustee through Top Coast Investment Limited ("Top Coast").

(2) Held by Brilliant Hero Capital Limited (暉雄資本有限公司) and Famous Tone Investments Limited (名通投資有限公司), which are jointly controlled by Chen Zhuo Lin and Luk Sin Fong, Fion.

(3) Held by Dragon Treasure Global Limited (龍寶環球有限公司), Star Noble Global Limited (星御環球有限公司) and Supreme Elite Holdings Limited (優傑控股有限公司), which are wholly-owned by Chen Zhuo Lin.

(4) Held by Renowned Idea Investments Limited (明思投資有限公司), which is wholly-owned by Chan Cheuk Yin.

(5) By virtue of SFO, Luk Sin Fong, Fion is deemed to be interested in the shares (1) held by her spouse, Chen Zhuo Lin as beneficial owner, and (2) held by Dragon Treasure Global Limited (龍寶環球有限公司), Star Noble Global Limited (星御環球有限公司) and Supreme Elite Holdings Limited (優傑控股有限公司), which are wholly-owned by Chen Zhuo Lin.

(6) Jointly held by Chan Cheuk Hei and his spouse Lu Yanping.

(7) Jointly held by Chan Cheuk Nam and his spouse Chan Siu Na.

(2) Long positions in the debentures of the Company

Name of director	Type	Personal interests	Approximate percentage to the debentures
Kwong Che Keung, Gordon.	9% senior notes in an aggregate principal amount of US$500 million due by 2020	US$500,000	0.10%

(3) Long positions in the shares of associated corporations of the Company

A. Top Coast

Name of director	Capacity of interests held	Number of shares	Description of shares	Percentage to issued share capital
Chen Zhuo Lin	Controlled corporation	2 *(Note)*	Ordinary	100.00%
Chan Cheuk Yin	Controlled corporation	2 *(Note)*	Ordinary	100.00%

Note: By virtue of the SFO, Chen Zhuo Lin and Chan Cheuk Yin are deemed to be interested in 2 ordinary shares in Top Coast, representing 100% of the then issued voting shares, in Top Coast, a company wholly-owned by Full Choice which in turn owned as to 50% by Chen Zhuo Lin and Chan Cheuk Yin respectively.

B. A-Living

Name of director	Capacity of interests held	Number of shares	Description of shares	Percentage to issued share capital of unlisted shares
Chen Zhuo Lin	Beneficiary of a trust	720,000,000 *(Note)*	Unlisted	80.00%
Chan Cheuk Yin	Beneficiary of a trust	720,000,000 *(Note)*	Unlisted	80.00%
Luk Sin Fong, Fion . .	Beneficiary of a trust	720,000,000 *(Note)*	Unlisted	80.00%
Chan Cheuk Hung . . .	Beneficiary of a trust	720,000,000 *(Note)*	Unlisted	80.00%
Chan Cheuk Hei	Beneficiary of a trust	720,000,000 *(Note)*	Unlisted	80.00%
Chan Cheuk Nam. . . .	Beneficiary of a trust	720,000,000 *(Note)*	Unlisted	80.00%

Note: The Company holds, through its indirect wholly-owned subsidiaries, Zhongshan A-Living Enterprise Management Services Co., Ltd. (中山雅生活企業管理服務有限公司) and Deluxe Star International Limited (旺紀國際有限公司), 720,000,000 unlisted shares in A-Living, and Full Choice holds, through Top Coast, 62.63% equity interests of the Company as trustee of the Chen Family Trust, beneficiaries of which are Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam. By virtue of the SFO, Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam are deemed to be interested in 720,000,000 unlisted shares in A-Living.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

To the best knowledge of the directors or chief executive of the Company, as of June 30, 2019, the interests or short positions of substantial shareholders (other than the directors or the chief executive of the Company) in the shares or underlying shares of the Company which (i) have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

	Number of shares of the Company held			
Name of shareholder	**Capacity of interests held**	**Number of shares**	**Total number of shares**	**Approximate percentage to issued share capital of the Company**
Full Choice	Trustee	2,453,096,250(1)	2,453,096,250	62.63%
Top Coast	Beneficial owner	2,453,096,250(1)	2,453,096,250	62.63%
Zheng Huiqiong	Spouse	2,468,783,750(2)	2,468,783,750	63.03%
Lu Liqing	Spouse	2,453,096,250(3)	2,453,096,250	62.63%
Lu Yanping	Beneficial owner	7,875,000(4)	2,460,971,250	62.83%
	Spouse	2,453,096,250(5)		
Chan Siu Na	Beneficial owner	6,781,500(6)	2,459,877,750	62.80%
	Spouse	2,453,096,250(7)		

Notes:

(1) Full Choice holds, through Top Coast, the shares as the trustee of the Chen Family Trust. Beneficiaries of which are Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam.

(2) By virtue of the SFO, Zheng Huiqiong is deemed to be interested in the shares held by her spouse, Chan Cheuk Yin.

(3) By virtue of the SFO, Lu Liqing is deemed to be interested in the shares held by her spouse, Chan Cheuk Hung.

(4) Jointly held by Lu Yanping and her spouse, Chan Cheuk Hei.

(5) By virtue of the SFO, Lu Yanping is deemed to be interested in the shares held by her spouse, Chan Cheuk Hei.

(6) Jointly held by Chan Siu Na and her spouse, Chan Cheuk Nam.

(7) By virtue of the SFO, Chan Siu Na is deemed to be interested in the shares held by her spouse, Chan Cheuk Nam.

RELATED PARTY TRANSACTIONS

The following 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.

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 related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The following table sets forth information for some of our related parties

Name of the related parties	Relationship with our Group and/or the Controlling Shareholders
Full Choice Investments Limited	The ultimate holding Company of the Group
Top Coast Investment Limited	The intermediate holding Company of the Group
Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam (the "Founding Shareholders")	Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course *(note (i))* 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. *(note (i))* 中山雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Gongqingcheng Investment *(note (i))* 共青城投資	Controlled by a key management personnel of the Group
Atlas (China) Co., Ltd.("Atlas (China)") *(note (i))* 寰圖(中國)有限公司	Controlled by the immediate family members of the Founding Shareholders
Foshan Yaxu Real Estate Development Co., Ltd. *(note (i))* 佛山雅旭房地產開發有限公司	Associate of the Group
Haimen Xinya Real Estate Development Co., Ltd. *(note (i))* 海門新雅房地產開發有限公司	Associate of the Group
Xinxingxian Country Garden Real Estate Development Co., Ltd. *(note (i))* 新興縣碧桂園房地產開發有限公司	Associate of the Group
Nantongshi Tongzhouqu Dongju Land Co., Ltd. *(note (i))* 南通市通州區東居置業有限公司	Associate of the Group
Shenzhen Longgang Area Dongjiang Industrial Waste Treatment Co., Ltd. *(note (i))* 深圳市龍崗區東江工業廢物處置有限公司	Associate of the Group
Citic Guoan (Beijing) Asset Management Co., Ltd. *(note (i))* 中信國安(北京)基金管理有限公司	Associate of the Group

Name of the related parties	Relationship with our Group and/or the Controlling Shareholders
Guangdong Yingmei Yihao Equity Investment Corporation (Limited Partnership) *(note (i))* 廣東盈美壹號股權投資合夥企業(有限合夥)	Associate of the Group
Nanjing Haiyue Property Management Co., Ltd. *(note (i))* 南京海玥物業管理有限公司	Associate of the Group
Guangzhou Henghao Rongzi Financial Lease Co., Ltd. *(note (i))* 廣州恒浩融資租賃有限公司	Associate of the Group
Jinzhong Jintian Heyi Real Estate Development Co., Ltd. *(note (i))* 晉中錦添合意房地產開發有限公司	Associate of the Group
Foshan Changzhong Real Estate Development Co., Ltd. *(note (i))* 佛山市昌重房地產開發有限公司	Associate of the Group
Foshan Sanshui Qingmei Real Estate Co., Ltd. *(note (i))* 佛山市三水區擎美房地產有限公司	Associate of the Group
Fuzhou Shengquan Real Estate Development Co., Ltd. *(note (i))* 福州盛全房地產開發有限公司	Associate of the Group
Sichuan Yacan Real Estate Development Co., Ltd. *(note (i))* 四川雅燦房地產開發有限公司	Associate of the Group
Jinzhong Jinhong Yubao Real Estate Development Co., Ltd. *(note (i))* 晉中市錦洪裕寶房地產開發有限責任公司	Associate of the Group
Sichuan Yaheng Real Estate Development Co., Ltd. *(note (i))* 四川雅恒房地產開發有限公司	Associate of the Group
Wuxi Yahui Real Estate Development Co., Ltd. *(note (i))* 無錫雅輝房地產開發有限公司	Associate of the Group
Dali Meizhao Real Estate Development Co., Ltd. *(note (i))* 大理美詔房地產開發有限公司	Associate of the Group
Handan Yurong Real Estate Development Co., Ltd. *(note (i))* 邯鄲裕榮房地產開發有限公司	Associate of the Group
Oyster Point Development LLC	Associate of the Group
Guangzhou Lihe Real Estate Development Co., Ltd. *(note (i))* 廣州利合房地產開發有限公司	Joint venture of the Group
Xuzhou Jiale Real Estate Development Co., Ltd. *(note (i))* 徐州佳樂房地產開發有限公司	Joint venture of the Group
Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. *(note (i))* 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd. *(note (i))* 中山市志力置業有限公司	Joint venture of the Group

Name of the related parties	Relationship with our Group and/or the Controlling Shareholders
Zhongshan Jucheng Enterprise Co., Ltd. *(note (i))* 中山市鉅成實業有限公司	Joint venture of the Group
Zhongshan Bosheng Real Estate Development Co., Ltd. *(note (i))* 中山市鉑晟房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. *(note (i))* 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. *(note (i))* 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. *(note (i))* 長沙上城置業有限公司	Joint venture of the Group
Guangxi Fuya Investments Co., Ltd. *(note (i))* 廣西富雅投資有限公司	Joint venture of the Group
Zhongshan Shiguang Chuangjian Zhiye Company Limited *(note (i))* 中山市世光創建置業有限公司	Joint venture of the Group
Zhongshan Haide Real Estate Development Co., Ltd. *(note (i))* 中山市海德房地產開發有限公司	Joint venture of the Group
Zhongshan Dongcheng Real Estate Development Company Limited *(note (i))* 中山市東城實業發展有限公司	Joint venture of the Group
Zhongshan Mingtai Property Development Company Limited *(note (i))* 中山市名泰房地產開發有限公司	Joint venture of the Group
Guangzhou Zhongyu Real Estate Development Co., Ltd. *(note (i))* 廣州市眾譽房地產開發有限公司	Joint venture of the Group
Foshan Yazhan Property Development Co., Ltd. *(note (i))* 佛山雅展房地產開發有限公司	Joint venture of the Group
Tianjin Hean Investments Co., Ltd. *(note (i))* 天津和安投資有限公司	Joint venture of the Group
Zhongshan Wenhua Real Estate Co., Ltd. *(note (i))* 中山市文華房地產有限公司	Joint venture of the Group
Zhongshan Minsen Real Estate Development Co., Ltd. *(note (i))* 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. *(note (i))* 海南雅宏旅遊置業有限公司	Joint venture of the Group
Hainan Yahai Travel Development Co., Ltd. *(note (i))* 海南雅海旅遊發展有限公司	Joint venture of the Group
Foshan Zhongjiao Real Estate Development Co., Ltd. *(note (i))* 佛山中交房地產開發有限公司	Joint venture of the Group

Name of the related parties	Relationship with our Group and/or the Controlling Shareholders
Foshan Xiangsong Land Co., Ltd. *(note (i))* 佛山香頌置業有限公司	Joint venture of the Group
Wuhu Yaxu Real Estate Development Co., Ltd. *(note (i))* 蕪湖雅旭房地產開發有限公司	Joint venture of the Group
Changzhou Yajing Real Estate Development Co., Ltd. *(note(i))* 常州雅勁房地產開發有限公司	Joint venture of the Group
Changzhou Jingya Real Estate Development Co., Ltd. *(note(i))* 常州勁雅房地產開發有限公司	Joint venture of the Group
Chongqing Jinbi Agile Real Estate Development Co., Ltd. *(note(i))* 重慶金碧雅居房地產開發有限公司	Joint venture of the Group
Jiangmenshi Meishun Real Estate Development Co., Ltd. *(note(i))* 江門市美順房地產開發有限公司	Joint venture of the Group
Zhongshan Hehua Hotel Co., Ltd. *(note(i))* 中山市和華酒店有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Development Co., Ltd. *(note(i))* 中山市盈軒房地產開發有限公司	Joint venture of the Group
Meizhou Zhongnan Yusheng Real Estate Development Co., Ltd. *(note(i))* 梅州中南昱晟房地產開發有限公司	Joint venture of the Group
Jinan Junsheng Real Estate Development Co., Ltd. *(note(i))* 濟南雋盛房地產開發有限公司	Joint venture of the Group
Lianyungang Ganglong Land Co., Ltd. *(note(i))* 連雲港市港龍置業有限公司	Joint venture of the Group
Hefei Changzhe Real Estate Development Co., Ltd. *(note(i))* 合肥昌哲房地產開發有限公司	Joint venture of the Group
Xuzhou Chuanda Real Estate Development Co., Ltd. *(note(i))* 徐州川達房地產開發有限公司	Joint venture of the Group
Xuzhou Yafeng Real Estate Development Co., Ltd. *(note(i))* 徐州雅豐房地產開發有限公司	Joint venture of the Group
Changzhou Yafeng Green Construction Technology Co., Ltd. *(note(i))* 常州雅豐綠色建築科技有限公司	Joint venture of the Group
Jinan Yaheng Real Estate Development Co., Ltd. *(note(i))* 濟南雅恒房地產開發有限公司	Joint venture of the Group
Jinan Yajun Real Estate Development Co., Ltd. *(note(i))* 濟南雅雋房地產開發有限公司	Joint venture of the Group
Tangyinxian Country Garden Real Estate Development Co., Ltd. *(note(i))* 湯陰縣碧桂園房地產開發有限公司	Joint venture of the Group

Name of the related parties	Relationship with our Group and/or the Controlling Shareholders
Accord Wing Limited 和榮有限公司	Joint venture of the Group
Weihai Yalan Investments Development Co., Ltd. *(note(i))* 威海雅藍投資開發有限公司	Joint venture of the Group
Yangzhou Zhongxing Green Construction Technology Co., Ltd. *(note(i))* 揚州中興綠色建築科技有限公司	Joint venture of the Group
Xi'an Agile Enterprise Development Co., Ltd. *(note(i))* 西安雅居樂實業發展有限公司	Joint venture of the Group
Xi'an Yafeng Land Co., Ltd. *(note(i))* 西安雅灃置業有限公司	Joint venture of the Group
Guangzhou Yajing Huilang Real Estate Development Co., Ltd. *(note(i))* 廣州雅景匯朗房地產開發有限公司	Joint venture of the Group
Guangzhou Yajingan Real Estate Development Co., Ltd. *(note(i))* 廣州雅景安房地產開發有限公司	Joint venture of the Group
Guangzhou Yasheng Henglong Investment Partnership Enterprises (Limited Partnership) *(note(i))* 廣州雅晟恒隆投資合夥企業(有限合夥)	Joint venture of the Group
Xinyu Shenghui Hongyao Investment Partnership Enterprises (Limited Partnership) *(note(i))* 新余晟暉鴻耀投資合夥企業(有限合夥)	Joint venture of the Group
Shenyang Yasong Real Estate Development Co., Ltd. *(note(i))* 瀋陽雅頌房地產開發有限公司	Joint venture of the Group
Shenyang Agile Enterprise Management Consultation Co., Ltd. *(note(i))* 瀋陽雅居樂企業管理諮詢有限公司	Joint venture of the Group
Guangzhou Yajing Investment Co., Ltd. *(note(i))* 廣州雅景投資有限公司	Joint venture of the Group
Suzhou Meiju Real Estate Development Co., Ltd. *(note(i))* 蘇州美居房地產開發有限公司	Joint venture of the Group
Guangzhou Hongsheng Hengju Investment Partnership Enterprises (Limited Partnership) *(note(i))* 廣州鴻晟恒鉅投資合夥企業(有限合夥)	Joint venture of the Group
Huizhou Huiyang Agile Real Estate Development Co., Ltd. *(note(i))* 惠州市惠陽雅居樂房地產開發有限公司	Joint venture of the Group
Chongqing Huayu Yefeng Enterprise Co., Ltd. *(note(i))* 重慶華宇業豐實業有限公司	Joint venture of the Group
Tianjin Qimao Land Co., Ltd. *(note(i))* 天津齊茂置業有限公司	Joint venture of the Group

Name of the related parties	Relationship with our Group and/or the Controlling Shareholders
Kaifeng Fenghui Land Co., Ltd. *(note(i))* 開封豐輝置業有限公司	Joint venture of the Group
Longchuang A-Living Property Services Co., Ltd. *(note(i))* 龍創雅生活物業服務有限公司	Joint venture of the Group
Beijing Zhonggang International Real Estate Development Co., Ltd. *(note(i))* 北京中港國際房地產開發有限公司	Joint venture of the Group
Kaifeng Guokong Songdu Land Co., Ltd. *(note(i))* 開封國控宋都置業有限公司	Joint venture of the Group
Jiaxing Xingya Real Estate Development Co., Ltd. *(note(i))* 嘉興興雅房地產開發有限公司	Joint venture of the Group
Xingyang Agile City Construction Co., Ltd. *(note(i))* 滎陽雅居樂城市建設有限公司	Joint venture of the Group
Xingyang Agile Enterprise Co., Ltd. *(note(i))* 滎陽雅居樂實業有限公司	Joint venture of the Group
Jiangxi Jianda Investment Co., Ltd. *(note(i))* 江西建大投資有限公司	Joint venture of the Group
Jinzhong Xiya Real Estate Development Co., Ltd. *(note(i))* 晉中熙雅房地產開發有限公司	Joint venture of the Group
Charm Talent Limited 煌迪有限公司	Joint venture of the Group
Chenzhou Agile Real Estate Development Co., Ltd. *(note(i))* 郴州雅居樂房地產開發有限公司	Joint venture of the Group
Guangzhou Yajing Real Estate Development Co., Ltd. *(note(i))* 廣州雅景房地產開發有限公司	Joint venture of the Group

Note:

(i) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year ended December 31,				Six months ended June 30,	
	2016	2017	2018		2019	
	RMB	RMB (unaudited)	RMB (unaudited)	US$	RMB	US$ (unaudited)
			(in thousands)			
Service fee charged by:						
Zhongshan Agile Changjiang Hotel Co., Ltd.(1)	2,151	1,819	3,240	472	780	114
Golf facilities service fee charged by:						
Zhongshan Changjiang Golf Course(1)	—	756	12,919	1,882	5,673	826
Rental fees charged from Altas (China)(1)	—	—	—	—	7,523	1,096
Providing guarantee for borrowings of related parties						
— An associate	1,015,920	496,000	424,095	61,776	869,618	126,674
— Joint ventures	1,280,000	1,566,400	6,244,840	909,664	5,208,594	758,717
	2,295,920	2,062,400	6,668,935	971,440	6,078,212	885,391
Interest income from related parties						
— Associates	—	—	93,163	13,571	37,039	5,395
— Joint ventures	—	149,383	282,973	41,220	107,032	15,591
	—	149,383	376,136	54,790	144,071	20,986
Directors' emoluments	23,481	29,316	24,548	3,576	9,250	1,347
Key management compensation						
— Salaries and other short-term employee benefits	36,057	53,178	43,127	6,282	12,570	1,831
— Retirement scheme contributions..	134	178	124	18	79	12
	36,191	53,356	43,251	6,300	12,649	1,843

Note:

(1) Restaurant and hotel service fees, golf facilities service fee and rental fees 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. In the opinion of the directors of the Company, the above 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.

The following is a brief description of our major ongoing related party transactions:

Contracting Agreements

Zhongshan Changjiang Golf Course

Zhongshan Changjiang Golf Course from time to time rents to us properties in Zhongshan City, which we have used as staff quarters, office space, and a staff canteen. An independent property valuer has confirmed that the rental fees payable under these leasing arrangements are comparable to the prevailing market rates.

Zhongshan Changjiang Golf Course allows us to use its golf facilities, which we share with our staff and our business associates, including our suppliers, contractors and customers. For the periods ended December 31, 2017 and 2018 and June 30, 2019, fees paid to Zhongshan Changjiang Golf Course amounted to approximately RMB756,000, RMB12,919,000 (US$1,881,865) and RMB5,673,000 (US$826,366), respectively. Zhongshan Changjiang Golf Course is beneficially owned by Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam, each of whom serves as a director.

Restaurant and Hotel Service Fees

Restaurant and hotel service fees and golf facilities service fee 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. For the periods ended December 31, 2017, 2018 and June 30, 2019, fees paid to Agile Changjiang Hotel totaled RMB2,151,000 and RMB1,819,000 and RMB3,240,000 (US$471,959) and RMB780,000 (US$113,620), respectively. Agile Changjiang Hotel is beneficially owned by Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam, each of whom serves a director.

We had the following significant non-trade balances with related parties as of the dates indicated:

	As of December 31,				Six months ended June 30,	
	2016	2017	2018		2019	
	RMB	RMB	RMB	US$	RMB	US$
		(in thousands)			(unaudited)	
Receivables due from related parties						
— Associates	3,210,646	2,625,524	2,578,743	375,636	1,545,908	225,187
— Joint ventures	3,714,038	5,416,625	9,676,037	1,409,474	8,289,509	1,207,503
— Other related parties	—	190,000	195,484	28,475	199,624	29,079
	6,924,684	8,232,149	12,450,264	1,813,585	10,035,041	1,461,769
Loan to related parties						
— Associates	—	—	2,643,730	385,103	43,047	6,271
— Joint ventures	—	747,397	2,584,511	376,476	270,417	39,391
	—	747,397	5,228,241	761,579	313,464	45,661
Payables due to related parties						
— Associates	—	—	696,674	101,482	162,357	23,650
— Joint ventures	2,986,094	3,286,273	4,789,650	697,691	4,603,009	670,504
— Other related parties	100,539	100,066	104,194	15,178	102,706	14,961
	3,086,633	3,386,339	5,590,518	814,351	4,868,072	709,115

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions and obtained financings through debt offerings. As of June 30, 2019, our total external borrowings amounted to RMB93,566.7 million (US$13,629.5 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC PROJECT LOANS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including but not limited to Bank of China, The Agricultural Bank of China, China Construction Bank, the Bank of East Asia, China Everbright Bank, Industrial and Commercial Bank of China (''ICBC''). These loans typically are project loans to finance the construction of our projects (the ''project loans'') and have terms ranging from 12 months to 60 months, which generally correspond to the construction periods of the particular projects. As of June 30, 2019, the aggregate outstanding amount under these project loans totaled approximately RMB20,342.7 million (US$2,963.2 million), RMB10,095.8 million (US$1,470.6 million) of which was due within one year and RMB10,246.9 million (US$1,492.6 million) of which was due between one and five years. As of June 30, 2019, we did not have project loans due over than five years. Our project loans are typically secured by land use rights and properties as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2019, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.84% per annum.

Covenants

Under these project loans, some of our subsidiary borrowers and guarantors have agreed, among other things, give notice before substantial financing and 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;
- make debt financing or grant guarantees to any third parties 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
- distribute dividends before repaying their loans.

Shareholder Loans

Some of our subsidiaries have also obtained project loans from PRC banks such as Bank of China. Under the terms of these project loans, any shareholders' loans obtained by our subsidiaries are required to be subordinated.

Events of Default

The project 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, mortgage or pledge contracts, or a combination of them, 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 or have provided security over land use rights, equity or accounts receivables or all of these under these project loans. Further, as of June 30, 2019, RMB17,468.2 million (US$2,544.5 million) of the project loans were secured by land use rights and/or properties of the subsidiary borrowers and/or guaranteed by our other PRC subsidiaries or by the Company.

2018 PERPETUAL SECURITIES

On March 7, 2018 and April 4, 2018, we issued an aggregate principal amount of US$500.0 million of our 2018 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the 2018 Perpetual Securities remain outstanding.

Distributions

The 2018 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 6.875% per annum from and including the issue date to and excluding the first reset date,

- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 4.216% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock. If we fail to make distributions in accordance with the terms of the 2018 Perpetual Securities, the trustee of the 2018 Perpetual Securities may initiate proceedings for our winding-up and claim in the winding-up proceedings for the principal amount and the relevant distributions accrued on the 2018 Perpetual Securities prior to the commencement of the winding-up proceedings. The distributions on the 2018 Perpetual Securities are not accounted for as interest expenses under HKFRS and we therefore do not include such distributions when calculating the Fixed Charge Coverage Ratio under our bank facilities and senior notes. In addition, because the 2018 Perpetual Securities are not Capital Stock, we do not treat distributions on the 2018 Perpetual Securities as Restricted Payments under our senior notes. However, we expect to voluntarily subtract the amounts of distributions on the 2018 Perpetual Securities from our Restricted Payments "basket" under our senior notes.

Maturity and Redemption

There is no fixed maturity date for the 2018 Perpetual Securities. We may redeem the 2018 Perpetual Securities, in whole, but not in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The 2018 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after February 28, 2018, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2018 Perpetual Securities must not or must no longer be recorded as our "equity" pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the Securities outstanding is less than 20% of the aggregate principal amount originally issued.

JUNE 2018 PERPETUAL SECURITIES

On June 26, 2018, we issued an aggregate principal amount of US$100.0 million of our June 2018 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the June 2018 Perpetual Securities remain outstanding.

Distributions

The June 2018 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 8.550% per annum from and including the issue date to and excluding the first reset date,

- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 5.873% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock. If we fail to make distributions in accordance with the terms of the June 2018 Perpetual Securities, the trustee of the June 2018 Perpetual Securities may initiate proceedings for our winding-up and claim in the winding-up proceedings for the principal amount and the relevant distributions accrued on the June 2018 Perpetual Securities prior to the commencement of the winding-up proceedings. The distributions on the June 2018 Perpetual Securities are not accounted for as interest expenses under HKFRS and we therefore do not include such distributions when calculating the Fixed Charge Coverage Ratio under our bank facilities and senior notes. In addition, because the June 2018 Perpetual Securities are not Capital Stock, we do not treat distributions on the June 2018 Perpetual Securities as Restricted Payments under our senior notes. However, we expect to voluntarily subtract the amounts of distributions on the June 2018 Perpetual Securities from our Restricted Payments ‘‘basket’’ under our senior notes.

Maturity and Redemption

There is no fixed maturity date for the June 2018 Perpetual Securities. We may redeem the June 2018 Perpetual Securities, in whole, but not in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The June 2018 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after June 21, 2018, or (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2018 Perpetual Securities must not or must no longer be recorded as our ‘‘equity’’ pursuant to the relevant accounting standard.

JUNE 2019 PERPETUAL SECURITIES

On June 4, 2019 and June 21, 2019, we issued an aggregate principal amount of US$600.0 million of our June 2019 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the June 2019 Perpetual Securities remain outstanding.

Distributions

The June 2019 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 8.375% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 6.254% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock. If we fail to make distributions in accordance with the terms of the June 2019 Perpetual Securities, the trustee of the June 2019 Perpetual Securities may initiate proceedings for our winding-up and claim in the winding-up proceedings for the principal amount and the relevant distributions accrued on the June 2019 Perpetual Securities prior to the commencement of the winding-up proceedings. The distributions on the June 2019 Perpetual Securities are not accounted for as interest expenses under HKFRS and we therefore do not include such distributions when calculating the Fixed Charge Coverage Ratio under our bank facilities and senior notes. In addition, because the June 2019 Perpetual Securities are not Capital Stock, we do not treat distributions on the June 2019 Perpetual Securities as Restricted Payments under our senior notes. However, we expect to voluntarily subtract the amounts of distributions on the June 2019 Perpetual Securities from our Restricted Payments "basket" under our senior notes.

Maturity and Redemption

There is no fixed maturity date for the June 2019 Perpetual Securities. We may redeem the June 2019 Perpetual Securities, in whole or in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event. The June 2019 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after May 27, 2019, or (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2019 Perpetual Securities must not or must no longer be recorded as our "equity" pursuant to the relevant accounting standard.

OCTOBER 2019 PERPETUAL SECURITIES

On October 31, 2019, we issued an aggregate principal amount of US$500.0 million of our October 2019 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the October 2019 Perpetual Securities remain outstanding.

Distributions

The October 2019 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 7.875% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 6.294% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock. If we fail to make distributions in accordance with the terms of the October 2019 Perpetual Securities, the trustee of the October 2019 Perpetual Securities may initiate proceedings for our winding-up and claim in the winding-up proceedings for the principal amount and the relevant distributions accrued on the October 2019 Perpetual Securities prior to the commencement of the winding-up proceedings. The distributions on the October 2019 Perpetual Securities are not accounted for as interest expenses under HKFRS and we therefore do not include such distributions when calculating the Fixed Charge Coverage Ratio under our bank facilities and senior notes.

In addition, because the October 2019 Perpetual Securities are not Capital Stock, we do not treat distributions on the October 2019 Perpetual Securities as Restricted Payments under our senior notes. However, we expect to voluntarily subtract the amounts of distributions on the October 2019 Perpetual Securities from our Restricted Payments ''basket'' under our senior notes.

Maturity and Redemption

There is no fixed maturity date for the October 2019 Perpetual Securities. We may redeem the October 2019 Perpetual Securities, in whole or in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The October 2019 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after October 24, 2019, or (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2019 Perpetual Securities must not or must no longer be recorded as our ''equity'' pursuant to the relevant accounting standard.

ASSET-BACKED SECURITIES

Certain of our PRC subsidiaries have entered into asset-backed securities arrangement by pledging the receivables for certain properties under their management or creating mortgage over the commercial properties owned by them. For example, on April 10, 2018, one of our PRC subsidiaries established a commercial property asset-backed securities arrangement with an aggregate nominal value of RMB4,600.0 million (US$670.1 million) by creating mortgage over Shanghai Marriott Hotel City Centre.

2015 NOTES

On May 21, 2015, we entered into an indenture (as amended and supplemented from time to time, the "2015 Notes Indenture") pursuant to which we issued US$500,000,000 principal amount of the 9.0% Senior Notes due 2020. As of the date of this offering memorandum, the entire principal amount of the 2015 Notes is outstanding.

Guarantee

The obligations pursuant to the 2015 Notes are guaranteed by our existing subsidiaries (the "2015 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2015 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2015 Notes Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2015 Notes Indenture.

Each of the 2015 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2015 Notes.

Collateral

In order to secure the obligations under the 2015 Notes, the Company and the 2015 Notes Subsidiary Guarantors under the 2015 Notes Indenture pledged the capital stock of all such 2015 Notes Subsidiary Guarantors for the benefit of the holders of the 2015 Notes (the "2015 Notes Collateral").

The 2015 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2015 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2015 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the 2015 Notes Indenture.

Interest

The 2015 Notes bear an interest rate of 9.0% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2015 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2015 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2015 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2015 Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2015 Notes Indenture or the holders of at least 25% of the outstanding 2015 Notes may declare the principal of the 2015 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2015 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2015 Notes is May 21, 2020.

At any time on or after May 21, 2018, we may redeem the 2015 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during the twelve month period beginning on February 18 of each of the years indicate below:

Period	Redemption Price
2018	104.500%
2019 and thereafter	102.250%

At any time on or prior to May 21, 2018, we may redeem the 2015 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any and from time to time prior to May 21, 2018, we may redeem up to 35% of the aggregate principal amount of the 2015 Notes at a redemption price equal to 109.0% of the principal amount of the 2015 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2015 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2015 Notes at a redemption price equal to 100% of the principal amount of the 2015 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On May 21, 2015, the trustee for the 2015 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

2017 NOTES

On August 14, 2017, we entered into an indenture (as amended and supplemented from time to time, the "2017 Notes Indenture") pursuant to which we issued US$200,000,000 principal amount of the 5.125% Senior Notes due 2022. As of the date of this offering memorandum, the entire principal amount of the 2017 Notes is outstanding.

Guarantee

The obligations pursuant to the 2017 Notes are guaranteed by our existing subsidiaries (the "2017 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2017 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2017 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2017 Notes Indenture. Each of the 2017 Notes Subsidiary Issuers, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2017 Notes.

Collateral

In order to secure the obligations under the 2017 Notes, the Company and the 2017 Notes Subsidiary Guarantors under the 2017 Notes Indenture pledged the capital stock of all such 2017 Notes Subsidiary Guarantors for the benefit of the holders of the 2017 Notes (the "2017 Notes Collateral"). The 2017 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2017 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2017 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the 2017 Notes Indenture.

Interest

The 2017 Notes bear an interest rate of 5.125% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2017 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2017 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2017 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2017 Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2017 Notes Indenture or the holders of at least 25% of the outstanding 2017 Notes may declare the principal of the 2017 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2017 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2017 Notes is August 14, 2022.

At any time and from time to time on or after August 14, 2020, we may redeem the 2017 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during the twelve month period beginning on August 14 of each of the years indicate below:

Period	Redemption Price
2020	102.56250%
2021 and thereafter	101.28125%

At any time prior to August 14, 2020, we may redeem the 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to August 14, 2020, we may redeem up to 35% of the aggregate principal amount of the 2017 Notes at a redemption price equal to 105.125% of the principal amount of the 2017 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2017 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2017 Notes at a redemption price equal to 100% of the principal amount of the 2017 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On August 14, 2017, the trustee for the 2017 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

JULY 2018 NOTES

On July 18, 2018 and July 26, 2018, we entered into an indenture (as amended and supplemented from time to time, the "July 2018 Notes Indenture") pursuant to which we issued an aggregate principal amount of US$600,000,000 of the 8.5% Senior Notes due 2021. As of the date of this offering memorandum, the entire principal amount of the July 2018 Notes is outstanding.

Guarantee

The obligations pursuant to the July 2018 Notes are guaranteed by our existing subsidiaries (the "July 2018 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2018 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a July 2018 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2018 Notes Indenture. Each of the July 2018 Notes 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 July 2018 Notes.

Collateral

In order to secure the obligations under the July 2018 Notes, the Company and the July 2018 Notes Subsidiary Guarantors under the July 2018 Notes Indenture pledged the capital stock of all such July 2018 Notes Subsidiary Guarantors for the benefit of the holders of the July 2018 Notes (the "July 2018 Notes Collateral"). The July 2018 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the July 2018 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the July 2018 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the July 2018 Notes Indenture.

Interest

The July 2018 Notes bear an interest rate of 8.5% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2018 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2018 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2018 Notes Indenture. If an event of default occurs and is continuing, the trustee under the July 2018 Notes Indenture or the holders of at least 25% of the outstanding July 2018 Notes may declare the principal of the July 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2018 Notes is July 18, 2021.

At any time and from time to time on or after July 18, 2020, we may redeem the July 2018 Notes, in whole or in part, at a redemption price of 104.25% plus accrued and unpaid interest to the redemption date.

At any time prior to July 18, 2020, we may redeem the July 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2018 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to July 18, 2020, we may redeem up to 35% of the aggregate principal amount of the July 2018 Notes at a redemption price equal to 108.5% of the principal amount of the July 2018 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the July 2018 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the July 2018 Notes at a redemption price equal to 100% of the principal amount of the July 2018 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On July 18, 2018, the trustee for the July 2018 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

NOVEMBER 2018 NOTES

On November 23, 2018, we entered into an indenture (as amended and supplemented from time to time, the "November 2018 Notes Indenture") pursuant to which we issued an aggregate principal amount of US$400,000,000 of the 9.5% Senior Notes due 2020. As of the date of this offering memorandum, the entire principal amount of the November 2018 Notes is outstanding.

Guarantee

The obligations pursuant to the November 2018 Notes are guaranteed by our existing subsidiaries (the "November 2018 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the November 2018 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a November 2018 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the November 2018 Notes Indenture. Each of the November 2018 Notes 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 November 2018 Notes.

Collateral

In order to secure the obligations under the November 2018 Notes, the Company and the November 2018 Notes Subsidiary Guarantors under the November 2018 Notes Indenture pledged the capital stock of all such November 2018 Notes Subsidiary Guarantors for the benefit of the holders of the November 2018 Notes (the "November 2018 Notes Collateral"). The November 2018 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the November 2018 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the November 2018 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the November 2018 Notes Indenture.

Interest

The November 2018 Notes bear an interest rate of 9.5% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the November 2018 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The November 2018 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the November 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the November 2018 Notes Indenture. If an event of default occurs and is continuing, the trustee under the November 2018 Notes Indenture or the holders of at least 25% of the outstanding November 2018 Notes may declare the principal of the November 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding November 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the November 2018 Notes is November 23, 2020.

At any time prior to November 23, 2020, we may redeem the November 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the November 2018 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to November 23, 2020, we may redeem up to 35% of the aggregate principal amount of the November 2018 Notes at a redemption price equal to 109.5% of the principal amount of the November 2018 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the November 2018 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem November 2018 Notes at a redemption price equal to 100% of the principal amount of the November 2018 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On November 23, 2018, the trustee for the November 2018 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

MARCH 2019 NOTES

On March 7, 2019, we entered into an indenture (as amended and supplemented from time to time, the "March 2019 Notes Indenture") pursuant to which we issued an aggregate principal amount of US$500,000,000 of the 6.7% Senior Notes due 2022. As of the date of this offering memorandum, the entire principal amount of the March 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the March 2019 Notes are guaranteed by our existing subsidiaries (the "March 2019 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the March 2019 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a March 2019 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the March 2019 Notes Indenture. Each of the March 2019 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the March 2019 Notes.

Collateral

In order to secure the obligations under the March 2019 Notes, the Company and the March 2019 Notes Subsidiary Guarantors under the March 2019 Notes Indenture pledged the capital stock of all such March 2019 Notes Subsidiary Guarantors for the benefit of the holders of the March 2019 Notes (the "March 2019 Notes Collateral"). The March 2019 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the March 2019 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the March 2019 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the March 2019 Notes Indenture.

Interest

The March 2019 Notes bear an interest rate of 6.7% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the March 2019 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The March 2019 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the March 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the March 2019 Notes Indenture. If an event of default occurs and is continuing, the trustee under the March 2019 Notes Indenture or the holders of at least 25% of the outstanding March 2019 Notes may declare the principal of the March 2019 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding March 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the March 2019 Notes is March 7, 2022.

At any time and from time to time on or after March 7. 2021, we may redeem the March 2019 Notes, in whole or in part, at a redemption price equal to 103.35% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to March 7, 2021, we may redeem the March 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the March 2019 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to March 7, 2021, we may redeem up to 35% of the aggregate principal amount of the November 2018 Notes at a redemption price equal to 106.7% of the principal amount of the March 2019 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the March 2019 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem March 2019 Notes at a redemption price equal to 100% of the principal amount of the March 2019 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On March 7, 2018, the trustee for the March 2019 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

DOMESTIC CORPORATE BONDS

On January 11, 2016, through a subsidiary, we issued 4.7% corporate bonds with an aggregate amount of RMB1,600.0 million (US$233.1 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584.1 million (US$230.8 million). The bonds will mature on January 11, 2021. We shall be entitled to adjust the coupon rate at the end of third year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On July 29, 2016, we issued 4.98% non-public domestic corporate bonds (the ''Panda Bonds'') with an aggregate amount of RMB3,000.0 million (US$437.0 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970.0 million (US$432.6 million). The bonds will mature on July 29, 2020. We shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On July 30, 2018, we completed the repurchase and cancellation of the Panda Bonds in an aggregate principal amount of RMB2,030.0 million.

On October 11, 2016, we issued 4.6% and 5.7% non-public domestic corporate bonds with an aggregate amount of RMB1,800.0 million (US$262.2 million) and RMB1,200.0 million (US$174.8 million) respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787.3 million (US$260.3 million) and RMB1,192.5 million (US$173.7 million) respectively. The bonds will mature on October 11, 2021 and October 11, 2023 respectively. We shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds.

On July 12, 2017, we issued non-public domestic corporate bonds in the amount of RMB3,000 million (US$437.0 million) at a coupon rate of 6.98% per annum for a term of three years to qualified institutional investors in the PRC. The bonds will mature on July 12, 2020. We shall be entitled to adjust the coupon rate at the end of the second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On July 12, 2019, we repurchased and resold of part of the non-public domestic corporate bonds in the amount of RMB351.0 million (US$51.1 million).

OFFSHORE FACILITY AGREEMENTS

We have entered into facility agreements with offshore banks and financial institutions, including, without limitation, The Hongkong and Shanghai Banking Corporation Limited, Chong Hing Bank Limited, The Bank of East Asia, Limited, Dah Sing Bank, Limited, Agricultural Bank of China Limited, Singapore Branch, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited, China Construction Bank Corporation, Hong Kong Branch, Wing Lung Bank and China Merchants Bank Co., Ltd., Hong Kong Branch. As of June 30, 2019, the aggregate outstanding principal amount under these offshore facilities is approximately US$3,713.5 million. We have, since June 30, 2019, in the ordinary course of business, entered into additional offshore facilities. For example, on August 28, 2019, we and certain of our subsidiaries entered into the August 2019 Facility with certain financial institutions.

Our offshore facilities typically have terms ranging from one year to four years.

Guarantee and Security

The obligations pursuant to the 2017 SCB Facility, the 2017 SCB Syndicated Loan, the 2017 HSBC Loan, the 2017 ICBC Loan, the 2017 CCB Loan, the 2018 Syndicated Loan, the 2018 HSBC Loan and other additional offshore facilities are guaranteed by certain subsidiary guarantors (the "Loan Subsidiary Guarantors"). Each of the Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2017 SCB Facility, the 2017 SCB Syndicated Loan, the 2017 HSBC Loan, the 2017 ICBC Loan, the 2017 CCB Loan, the 2018 Syndicated Loan, the 2018 HSBC Loan and other additional offshore facilities. The 2017 SCB Facility, the 2017 SCB Syndicated Loan, the Additional 2017 Facilities and the 2018 Syndicated Loan, the 2018 HSBC Loan and the subsidiary guarantees provided by the Loan Subsidiary Guarantors are secured by the Collateral.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate.

Covenants

Our offshore loans contains customary covenants and restrictions, including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios. Some of the offshore loan agreements also contain restriction on payment of dividend by our subsidiaries, including Eastern Supreme Group Holdings Limited.

Events of Default

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

CUSTOMER GUARANTEES

In line with industry practice, we provide guarantees to financial institutions in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the financial institutions. As of June 30, 2019, the aggregate outstanding amount guaranteed was RMB41,086.2 million (US$5,984.9 million).

ASIAN GAMES CITY GUARANTEES

We, as one of the four shareholders of Guangzhou Li He Property Development Company Limited, the joint venture developing the Guangzhou Asian Games City Project, have provided guarantees for certain borrowings of Li He. As of June 30, 2019, our guarantees provided for the Guangzhou Asian Games City Project for its borrowings amounted to RMB852.3 million (US$124.2 million).

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Conditions of the Securities which (subject to modification) will be endorsed on each definitive certificate evidencing the Securities (if issued) and referred to in the Global Certificate:

The U.S.$200,000,000 in aggregate principal amount of senior perpetual capital securities (each, a "Security" and, together, the "Securities", which expressions include any further securities issued pursuant to Condition 15 *(Further Issues)* and forming a single series therewith) of Agile Group Holdings Limited (the "Issuer") are constituted by, are subject to, and have the benefit of, a trust deed dated November 25, 2019 (as amended or supplemented from time to time, the "Trust Deed") between the Issuer and China Construction Bank (Asia) Corporation Limited as trustee (the "Trustee", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated November 25, 2019 (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, China Construction Bank (Asia) Corporation Limited as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Securities), China Construction Bank (Asia) Corporation Limited as principal paying agent (the "Principal Paying Agent", which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the transfer agent named therein (the "Transfer Agent", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Securities), the calculation agent named therein (the "Calculation Agent", which expression includes any successor or additional calculation agent appointed from time to time in connection with the Securities), the paying agents named therein (together with the Principal Paying Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities) and the Trustee. References herein to the "Agents" are to the Registrar, the Principal Paying Agent, the Calculation Agent, the Transfer Agent and the Paying Agents and any reference to an "Agent" is to any one of them. Certain provisions of these terms and conditions (the "Conditions") are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Holders (as defined in Condition 3(a) *(Register, Title and Transfers — Register)*) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Holders during normal business hours being 9:00 a.m. to 3:00 p.m. Monday to Friday other than public holidays with prior written notice and satisfactory proof of holding at the specified office for the time being of the Principal Paying Agent, being at the date hereof 28F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

1. Form and Denomination

The Securities are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "Authorised Denomination").

2. Status of the Securities

(a) *Status of the Securities:* The Securities constitute direct, general, unsecured and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future, unsecured and unsubordinated obligations of the Issuer (including Parity Obligations), save for such obligations as may be preferred by the provisions of law that are both mandatory and of general application.

(b) *Set-off — Securities:* Subject to applicable law, neither the Trustee nor any Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and the Trustee has in the Trust Deed waived, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived, all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to the Trustee or any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, the Trustee or such Holder (as the case may be) shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator of the Issuer) and, until such time as payment is made, shall hold such amount for the Issuer (or the liquidator) and accordingly any such discharge shall be deemed not to have taken place.

3. Register, Title and Transfers

(a) *Register:* The Registrar will maintain a register (the "Register") in respect of the Securities outside of the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "Holder" of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "Certificate") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

Upon issue, the Securities will be represented by a Global Certificate registered in the name of, and deposited with, a nominee of a common depositary for Euroclear and Clearstream. The Terms and Conditions of the Securities are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Securities in Global Form".

(b) *Title:* The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

(c) *Transfers:* Subject to Conditions 3(f) *(Register, Title and Transfers — Closed periods)* and 3(g) *(Register, Title and Transfers — Regulations concerning transfers and registration)* below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor. No transfer of title to a Security will be valid unless and until entered on the Register.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with Condition 3(c) *(Register, Title and Transfers — Transfers)*, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) at the risk of the Holder to the address specified for the purpose by such relevant Holder. In this Condition 3 *(Register, Title and Transfers)*, "business day" means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Securities will not be entitled to receive physical delivery of Certificates. The Securities are not issuable in bearer form.

(e) *No charge:* The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods:* Holders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or Distribution (as defined in Condition 5(a) *(Distributions — Accrual of Distribution)*) in respect of the Securities.

(g) *Regulations concerning transfers and registration:* All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The parties to the Agency Agreement may agree, without the consent of the Holders, to any modifications to any provisions thereof (including the regulations concerning the transfer of Securities). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations and provides proof of holding satisfactory to the Registrar.

4. Undertakings

The Issuer undertakes to file or cause to be filed with the National Development and Reform Commission of the People's Republic of China (the "NDRC") the requisite information and documents within the prescribed time period after the Issue Date in accordance with the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資 2015 2044號)) issued by the NDRC and which came into effect on September 14, 2015, as supplemented by any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "NDRC Circular") (the "NDRC Post-issue Filing").

Neither the Trustee nor the Agents shall have any obligation to monitor and ensure the completion of the NDRC Post- issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, and shall be liable to the Holders or any other person for not doing so.

5. Distributions

(a) *Accrual of Distributions:*

(i) Subject to Condition 5(d) *(Distributions — Distribution Deferral)*, the Securities confer a right to receive distributions (each, a "Distribution") from, and including, November 25, 2019 (the "Issue Date") at the applicable Distribution Rate (as defined in Condition 5(b) *(Distributions — Rate of Distribution)*) in accordance with this Condition 5 *(Distributions)*. Subject to Condition 5(d) *(Distributions — Distribution Deferral)*, Distributions shall be payable semi-annually in arrear on May 25 and November 25, of each year (each, a "Distribution Payment Date"), except that the first payment of Distribution shall be made on May 25, 2020 (also, a "Distribution Payment Date") in respect of the period from (and including) the Issue Date to (but excluding) such Distribution Payment Date.

(ii) Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, the right to such Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

(iii) The amount of Distribution payable on each Distribution Payment Date up to and including the First Reset Date (other than the first Distribution Payment Date falling on May 25, 2020) shall be U.S.$38.75 in respect of each Calculation Amount. If a Distribution is required to be paid in respect of a Security on any other date, it shall be calculated by applying the Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Security divided by the Calculation Amount, where ''Calculation Amount'' means U.S.$1,000 and ''Day Count Fraction'' means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

(iv) Distributions payable under this Condition 5 *(Distributions)* will be paid in accordance with Condition 7 *(Payments)*.

(b) *Rate of Distributions:* The rate of distribution (''Distribution Rate'') applicable to the Securities shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, May 25, 2025 (the ''First Reset Date''), the Initial Distribution Rate; and

(ii) thereafter, in respect of the period from, and including, the First Reset Date and each Reset Date falling thereafter, to, but excluding, the immediately following Reset Date (each a ''Reset Period''), the Reset Distribution Rate; and

provided, in each case, that in the event of the occurrence of a Change of Control, if the Issuer does not elect to redeem the Securities within 30 days of a Change of Control Triggering Event in accordance with the provisions described under Condition 6(e) *(Redemption and Purchase — Redemption in the case of a Change of Control Triggering Event)* then the then prevailing Distribution Rate applicable to the Securities shall be increased by 5.00 per cent. per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date which is two Business Days prior to the next Distribution Payment Date, the next following Distribution Payment Date).

(c) *Calculation of Distribution Rate:* The Calculation Agent will, on the relevant Calculation Date, calculate the applicable Reset Distribution Rate payable in respect of the Securities. The Calculation Agent will cause the applicable Reset Distribution Rate determined by it to be notified to the Issuer, the Paying Agents and the Trustee and the Issuer will promptly thereafter notify, the Holders and each listing authority, stock exchange and/or quotation system (if any) on or by which the Securities have then been admitted to listing, trading and/or quotation as soon as practicable after the relevant Calculation Date. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5(c) *(Distributions — Calculation of Distribution Rate)* by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Trustee and the Holders and (in the absence of manifest error as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(d) *Distribution Deferral:*

(i) *Optional Deferral:* The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date (an ''Optionally Deferred Distribution Payment'') by giving notice (an ''Optional Distribution Deferral Notice'') to the Holders (in accordance with Condition 16 *(Notices)*) not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date (an ''Optional Deferral Event'') unless during the three months ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred. Any partial payment of any outstanding Distributions (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis in accordance with the Trust Deed.

A "Compulsory Distribution Payment Event" occurs if either or both of the following criteria are met:

(A) a discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any Junior Obligations or (except on a *pro-rata* basis) Parity Obligations (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or

(B) the Issuer, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations (except for (x) an exchange by the Issuer of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or (y) for a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants).

(ii) *No obligation to pay:* The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 5(d)(i) *(Distributions — Distribution Deferral — Optional Deferral)* and any failure to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall not constitute a default of the Issuer in respect of the Securities.

(iii) *Requirements as to Notice:* Prior to publishing any Optional Distribution Deferral Notice, the Issuer shall deliver to each of the Trustee and the Principal Paying Agent a certificate in the form scheduled to the Trust Deed signed by two duly authorised officers of the Issuer confirming that an Optional Deferral Event has occurred and is continuing, and that no Compulsory Distribution Payment Event has occurred and is continuing. The Trustee shall be entitled to accept and conclusively rely (without liability) upon such certificate (without further investigation or enquiry) as sufficient evidence of the occurrence of an Optional Deferral Event (and, if applicable, no Compulsory Distribution Payment Event has occurred and is continuing) and it shall be conclusive and binding on the Holders.

(iv) *Cumulative Deferral:*

(A) Any Distribution deferred pursuant to this Condition 5(d) *(Distributions — Distribution Deferral)* shall constitute "Arrears of Distribution". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the notice requirements in Condition 5(d)(i) *(Distributions — Distribution Deferral — Optional Deferral)* applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times any Distribution and/or Arrears of Distribution may be deferred pursuant to this Condition 5(d) *(Distributions — Distribution Deferral)* except that this Condition 5(d)(iv) *(Distributions — Distribution Deferral — Cumulative Deferral)* shall be complied with until all outstanding Arrears of Distribution have been paid in full.

(B) Each amount of Arrears of Distribution shall bear interest at the prevailing Distribution Rate as if it constituted the principal of the Securities and the amount of such interest (the "Additional Distribution Amount") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 5 *(Distributions)* and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5 *(Distributions)*. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that such Additional Distribution Amount will itself become Arrears of Distribution.

(v) *Restrictions in the case of an Optional Deferral:* If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 5(d)(i) *(Distributions — Distribution Deferral — Optional Deferral)*, the Issuer shall not:

(A) declare, pay or make any discretionary dividends, discretionary distributions or other discretionary payments on, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(B) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.

(vi) *Satisfaction of Arrears of Distribution by payment:* The Issuer:

(A) may at its option satisfy any Arrears of Distribution (in whole or in part) and any Additional Distribution Amount at any time by giving notice of such election to the Holders (in accordance with Condition 16 *(Notices)*), the Trustee and the Principal Paying Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and any Additional Distribution Amount on the payment date specified in such notice). Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be paid to the Holders of all outstanding Securities on a *pro-rata* basis; and

(B) in any event shall satisfy any outstanding Arrears of Distribution deferred in accordance with Condition 5(d)(i) *(Distributions — Distribution Deferral — Optional Deferral)* (in whole but not in part, and including any Additional Distribution Amount) on the earliest to occur of:

(1) the next Distribution Payment Date falling immediately after a breach of Condition 5(d)(v) *(Distributions — Distribution Deferral — Restrictions in the case of an Optional Deferral)*;

(2) the date on which the Securities are redeemed at the option of the Issuer upon an Optional Redemption (as defined in Condition 6(b) *(Redemption and Purchase — Redemption at the option of the Issuer)*);

(3) the date on which the Securities are redeemed at the option of the Issuer upon a Change of Control;

(4) the date on which the Securities are redeemed at the option of the Issuer in accordance with Condition 6(f) *(Redemption and Purchase — Redemption in the case of minimal outstanding amount)*;

(5) the date of any substitution or variation in accordance with Condition 14 *(Substitution or Variation)*;

(6) the Winding Up (as defined in Condition 18 *(Definitions)*) of the Issuer.

(vii) *No default:* Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this Condition 5(d) *(Distributions — Distribution Deferral)* shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9 *(Non-payment)*) on the part of the Issuer.

6. Redemption and Purchase

(a) *No fixed redemption date:* The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 *(Status of the Securities)* and without prejudice to Condition 9 *(Non-payment)*) only have the right to redeem or purchase the Securities in accordance with the following provisions of this Condition 6 *(Redemption and Purchase)*.

(b) *Redemption at the option of the Issuer:* The Securities may be redeemed at the option of the Issuer (an "Optional Redemption"), in whole or in part, on the First Reset Date or any Business Day after the First Reset Date (each, a "Call Settlement Date") on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant Call Settlement Date), the Trustee and the Principal Paying Agent at the Redemption Amount.

(c) *Redemption for tax reasons:* The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee and the Principal Paying Agent at the Redemption Amount, if, immediately before giving such notice, the Issuer notifies the Trustee that:

(i) the Issuer has or will become obliged to pay material Additional Amounts as provided or referred to in Condition 8 *(Taxation)* as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after November 18, 2019; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a "Withholding Tax Event") *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c) *(Redemption and Purchase — Redemption for tax reasons)*, the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate, signed by two duly authorised officers of the Issuer, stating that the circumstances referred to in (i) and (ii) of this Condition 6(c) *(Redemption and Purchase — Redemption for tax reasons)* prevail and setting out the details of such circumstances; and

(B) an opinion, in form and substance satisfactory to the Trustee, of independent legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled (but not obliged) to accept and conclusively rely (without liability) upon such certificate and opinion (without any further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) of this Condition 6(c) *(Redemption and Purchase — Redemption for tax reasons)* and they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 6(c) *(Redemption and Purchase — Redemption for tax reasons)*, the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(c) *(Redemption and Purchase — Redemption for tax reasons)*.

For the purposes of this Condition 6(c) *(Redemption and Purchase — Redemption for tax reasons)*, ''material Additional Amounts'' means Additional Amounts certified to the Trustee by two duly authorised officers of the Issuer as being, in the sole opinion of the Issuer, material.

(d) *Redemption upon an Accounting Event:* The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee and the Principal Paying Agent at the Redemption Amount if, immediately before giving such notice, the Issuer notifies the Trustee that as a result of any changes or amendments to HKFRS (as defined in Condition 18 *(Definitions)*) or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Issuer (the ''Relevant Accounting Standard''), the Securities must not or must no longer be recorded as ''equity'' of the Issuer pursuant to the Relevant Accounting Standard (an ''Accounting Event'').

Prior to the publication of any notice of redemption pursuant to this Condition 6(d) *(Redemption and Purchase — Redemption upon an Accounting Event)*, the Issuer shall deliver to the Trustee:

(A) a certificate, signed by two duly authorised officers of the Issuer, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(B) an opinion, in form and substance satisfactory to the Trustee, of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

The Trustee shall be entitled (but not obliged) to accept and conclusively rely (without liability) upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 6(d) *(Redemption and Purchase — Redemption upon an Accounting Event)*, the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(d) *(Redemption and Purchase — Redemption upon an Accounting Event) provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as ''equity'' of the Issuer pursuant to the Relevant Accounting Standard.

(e) *Redemption in the case of a Change of Control Triggering Event:* The Securities may be redeemed, in whole but not in part only, at the Issuer's option upon giving not less than 15 nor more than 30 days' notice to the Holders (which notice shall be irrevocable), the Trustee and the Principal Paying Agent at their Early Redemption Price in the event that a Change of Control Triggering Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition 6(e) *(Redemption and Purchase — Redemption in the case of a Change of Control Triggering Event)*, the Issuer shall deliver to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances.

The Trustee shall be entitled (but not obliged) to accept and conclusively rely (without liability) upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out above and it shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 6(e) *(Redemption and Purchase — Redemption in the case of a Change of Control Triggering Event)*, the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(e) *(Redemption and Purchase — Redemption in the case of Change of Control Triggering Event)*.

Neither the Trustee nor the Agents shall be obliged to take any steps to ascertain whether a Change of Control Triggering Event has occurred or to monitor the occurrence of any Change of Control Triggering Event and shall be liable to the Holders or any other person for not doing so.

(f) *Redemption in the case of minimal outstanding amount:* The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee and the Principal Paying Agent at the Redemption Amount, if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 20 per cent. of the aggregate principal amount originally issued (including any further securities issued in accordance with Condition 15 *(Further Issues)*).

Upon expiry of any such notice period as is referred to in this Condition 6(f) (*Redemption and Purchase — Redemption in the case of minimal outstanding amount*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(f) (*Redemption and Purchase — Redemption in the case of minimal outstanding amount*).

(g) *No other redemption:* The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 6(b) *(Redemption and Purchase — Redemption at the option of the Issuer)* to 6(f) *(Redemption in the case of minimal outstanding amount)* (both inclusive) and Condition 9 *(Non-payment)*.

(h) *Notice of redemption:* The Trustee and the Principal Paying Agent shall not be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

(i) *Purchase:* The Issuer and/or any of its Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.

(j) *Cancellation:* All Securities redeemed or purchased by or on behalf of the Issuer and/or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

So long as the Securities are represented by the Global Certificate a right of a Holder to redemption of the Securities pursuant to these Conditions will be effected in accordance with the rules of the relevant clearing system.

7. Payments

(a) *Principal:* Payments of principal shall be made in U.S. dollars by transfer to a U.S. dollar account (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Distributions:* Payments of Distributions (including any Arrears of Distribution and any Additional Distribution Amount) shall be made in U.S. dollars by transfer to a U.S. dollar account (in the case of Distributions payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 *(Taxation)* and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 *(Taxation)*) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 7(d) *(Payments — Payments on business days)* arriving after the due date for payment or being lost in the mail. In this Condition 7(d) *(Payments — Payments on business days)*, "business day" means any day, other than a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, the city in which the Specified Office of a Paying Agent is located and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date:* Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Security is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

8. Taxation

All payments of principal and Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax (each, a "Relevant Jurisdiction"), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required ("Additional Amounts"), except that no such Additional Amounts shall be payable in respect of any Security:

(a) to a Holder (or to a third party on behalf of a Holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Security by reason of its having some present or former connection with a Relevant Jurisdiction other than the mere holding of the Security or by the receipt of amounts in respect of such Security; or

(b) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent; or

(c) to a Holder (or to a third party on behalf of a Holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(d) where (in the case of a payment of principal or Distribution on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in New York City by a Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal, Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any Additional Amounts in respect of principal, Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 8 *(Taxation)* or any undertaking given in addition to or in substitution of this Condition 8 *(Taxation)* pursuant to the Trust Deed.

For the avoidance of doubt, the obligation of the Issuer to pay Additional Amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Securities.

If the Issuer becomes subject at any time to any taxing jurisdiction other than a Relevant Jurisdiction, references in these Conditions to such Relevant Jurisdiction shall be construed as references to the Relevant Jurisdiction and such other jurisdiction or, as the case may be, such other jurisdiction only.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Holder or any third party to pay such tax, duty, assessment, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any amount under or in respect of the Securities without deduction or withholding for or on account of any tax, duty, assessment, charges, withholding or other payment imposed by or in any jurisdiction.

9. Non-payment

(a) *Limited rights to institute proceedings:* Notwithstanding any of the provisions below in this Condition 9 *(Non-payment)*, the right to institute Winding-Up (as defined in Condition 18 *(Definitions)*) proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 5(d) *(Distribution — Distribution Deferral)*. In addition, nothing in this Condition 9 *(Non-payment)*, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee to otherwise take any action against the Issuer, in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

(b) *Proceedings for Winding-Up:* Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or (ii) the Issuer failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 9(d) *(Non-payment — Entitlement of Trustee)*, institute proceedings for the Winding-Up of the Issuer and/or prove and/or claim in the Winding-Up of the Issuer for the principal amount of the Securities together with Distributions, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up.

(c) *Enforcement:* Without prejudice to Condition 9(b) *(Non-payment — Proceedings for Winding-Up)* but subject to the provisions of Condition 9(d) *(Non-payment — Entitlement of Trustee)*, the Trustee may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations), *provided that* in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) *Entitlement of Trustee:* The Trustee at its sole and absolute discretion may and, if so requested in writing by Holders of at least 25 per cent. in aggregate principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution, shall (subject to receipt of indemnification and/or security and/or pre-funding to the Trustee's satisfaction) take any of the actions referred to in Condition 9(b) *(Non-payment — Proceedings for Winding-Up)* or Condition 9(c) *(Non-Payment — Enforcement)* against the Issuer to enforce the terms of the Trust Deed or the Securities.

(e) *Right of Holders:* No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up of the Issuer or to prove or claim in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 9 *(Non-payment)*.

(f) *Extent of Holders' remedy:* No remedy against the Issuer, other than as referred to in this Condition 9 *(Non-payment)*, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities under the Trust Deed.

10. Prescription

Claims against the Issuer for payment in respect of the Securities shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of Distributions) from the appropriate Relevant Date in respect of them.

11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Holders as a class and will not be responsible for any consequence for individual Holders of Securities as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee may rely, without liability to Holders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to conclusively rely (without liability and without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

Each Holder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, principal paying agent and additional or successor paying agents and transfer agents with the prior approval of the Trustee; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders and the Trustee (in accordance with Condition 16 *(Notices)*).

13. Meetings of Holders; Modification and Waiver

(a) *Meetings of Holders:* The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee, and shall be convened by the Trustee upon the request in writing of Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities, subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction by such Holders. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more persons being or representing a Holder or Holders whatever the principal amount of the Securities held or represented; *provided*, *however*, *that* certain proposals (including any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, to change the deferral provisions in respect of Distributions in respect of the Securities, to effect the exchange, conversion or substitution of the Securities for, or the conversion of the Securities into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed, to amend any provision of Clause 7 *(Status of the Securities)* of the Trust Deed and to amend the scope of such proposals (each, a "Reserved Matter")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Securities shall form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

Any duty derived from any principle of law or equity that would otherwise have the effect of requiring the Holders of the Securities to exercise their powers to vote for or against an Extraordinary Resolution or any other resolution contemplated by the Trust Deed or these Conditions, for the benefit or in the interests of any group or class of Holders as a whole and not merely individual Holders, is excluded to the fullest extent permitted by law.

In addition, a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of Securities for the time being outstanding and who are entitled to receive notice of a meeting of the Holders of the Securities pursuant to the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders. A resolution passed by way of electronic consents through the clearing systems by or on behalf of Holders of not less than 90 per cent. in aggregate principal amount of Securities for the time being outstanding shall take effect as if it were an Extraordinary Resolution, whether or not relating to a Reserved Matter.

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

(b) *Modification and waiver:* The Trustee may (but shall not be obliged to), without the consent of the Holders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of Holders and to any modification of the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorization, waiver or modification shall be notified by the Issuer to the Holders (in accordance with Condition 16 *(Notices)*) as soon as practicable thereafter.

14. Substitution or Variation

If a Special Event (as defined in Condition 18 *(Definitions)*) has occurred and is continuing, then the Issuer may, subject to Condition 5 *(Distributions)* (without any requirement for the consent or approval of the Holders) and subject to its having notified the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 14 *(Substitution or Variation)* have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16 *(Notices)*, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and, notwithstanding any provision contrary in the Trust Deed, the Trustee shall (subject to the following provisions of this Condition 14 *(Substitution or Variation)* and subject to the receipt by it of the certificate of the duly authorised officers of the Issuer referred to herein) agree to such substitution or variation without any need for the consent or sanction of the Holders of the Securities.

Upon expiry of such notice period, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 14 *(Substitution or Variation)*, as the case may be.

In connection with any such substitution or variation, any outstanding Arrears of Distribution (including any Additional Distribution Amount) will be satisfied in full in accordance with the provisions of Condition 5(b) *(Distributions — Distribution Deferral)*.

The Trustee shall, subject to such terms and conditions as the Trustee may agree and subject to being indemnified and/or secured and/or pre-funded to its satisfaction, use all commercially reasonable endeavors to assist the Issuer in the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as appropriate, become, Qualifying Securities, *provided that* the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, obligations upon it which are more onerous than the obligations set out in the Trust Deed. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Securities as provided in Condition 6 *(Redemption and Purchase)*. The Issuer may appoint another trustee or a third party in case where the Trustee is unable to participate or assist with the substitution of the Qualifying Securities or variation of the terms of the Qualifying Securities.

In connection with any substitution or variation in accordance with this Condition 14, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would (i) directly give rise to a further Special Event or (ii) result in the same Special Event continuing to subsist with respect to the Securities or the Qualifying Securities.

15. Further Issues

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first Distribution Payment Date and the timing for registration with the NDRC) so as to form a single series with the Securities.

16. Notices

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing (being a day other than a Saturday, Sunday or public holiday).

So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Certificate. Any such notice shall be deemed to have been given on the date of delivery to such clearing system.

17. Governing Law and Jurisdiction

(a) *Governing law:* The Securities, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities, the Agency Agreement and the Trust Deed are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction:* The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Securities (including any disputes relating to any non-contractual obligations arising out of or in connection with the Securities) and accordingly any legal action or proceedings arising out of or in connection with the Securities (including any disputes relating to any non-contractual obligations arising out of or in connection with the Securities) ("Proceedings") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This shall not limit the right of the Trustee to take Proceedings in any other court of competent jurisdiction and concurrent Proceedings in multiple jurisdictions.

(c) *Agent for Service of Process:* Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England.

(d) *Waiver of Immunity:* To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity (whether sovereign or otherwise) from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

18. Definitions

For the purposes of these Conditions:

"**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.

"**Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in Hong Kong and New York City.

"**Calculation Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, London and Hong Kong.

"**Calculation Date**" means, for the purpose of calculating the Reset Distribution Rate, the commencement date of the relevant Reset Period.

A "**Change of Control**" means the occurrence of one or more of the following events:

(a) the merger, amalgamation or consolidation of the Issuer with or into another Person (other than the Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Issuer, or the sale of all or substantially all of the assets of the Issuer to another Person;

(b) the Permitted Holders being the beneficial owners of less than 35 per cent. of the total voting power of the voting stock of the Issuer;

(c) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the United States Securities Exchange Act of 1934 (the "Exchange Act")) being or becoming 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 Issuer greater than such total voting power held beneficially by the Permitted Holders; or

(d) individuals who on the Issue Date constituted the board of directors of the Issuer, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election 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 Issuer then in office; or

(e) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Rating Decline or Withdrawal.

"**Chen Family Trust**" means a family trust constituted by a trust deed dated November 23, 2005, as amended and supplemented from time to time, with Full Choice Investments Limited as trustee and the beneficiaries of which are, as of the Original Issue Date, Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam.

"**Comparable Treasury Issue**" means in relation to calculating any Reset Distribution Rate, the U.S. Treasury security selected by the Issuer as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years.

"**Comparable Treasury Price**" means, with respect to any Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

"**Early Redemption Price**" means either:

(a) if the redemption date falls prior to the First Reset Date, 101 per cent. of the outstanding principal amount of the Securities; or

(b) if the redemption date falls on or after the First Reset Date, the outstanding principal amount of the Securities,

in each case together with any Distributions accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount).

"**HKFRS**" means Hong Kong Financial Reporting Standards, as amended from time to time.

"**Initial Distribution Rate**" means 7.75 per cent. per annum.

"**Initial Spread**" means 6.083 per cent.

"**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 Issuer as having been substituted for S&P or Moody's or both, as the case may be.

"**Junior Obligations**" means (i) any class of the Issuer's share capital (including preference shares) qualifying as equity under HKFRS, (ii) any instrument or security issued or entered into by, or other obligation of, the Issuer which ranks or is expressed to rank junior to the Issuer's obligations under the Securities, and (iii) any security or other obligation guaranteed by the Issuer where the Issuer's obligations under the relevant guarantee rank or are expressed to rank junior to the Issuer's obligations under the Securities;

"**Moody's**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

"**Parity Obligations**" means any instrument or security (including without limitation any preference share) issued, entered into or guaranteed by the Issuer which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities.

"**Permitted Holders**" means any or all of the following:

(a) the Chen Family Trust, or any trustee for the Chen Family Trust, or Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam;

(b) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (a); and

(c) 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 per cent. by Persons specified in clauses (a) and (b).

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**PRC**" means the People's Republic of China (excluding, for these purposes, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan).

"**PRC Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in the PRC.

"**Qualifying Securities**" means securities that:

(a) have terms not materially less favorable to an investor than the terms of the Securities (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of two duly authorised officers of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities upon which certificate the Trustee shall rely conclusively (without liability and without further investigation or enquiry)), *provided that:*

    (i) they are issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer having the benefit of a guarantee of the Issuer; and (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the issuer or guarantor thereof, shall preserve the Holders' rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide for the same Distribution Rate, Distribution Payment Dates and redemption events, from time to time applying to the Securities; and other terms of such securities are substantially identical (as reasonably determined by the Issuer) to the Securities, save for the modifications or amendments to such terms that are specifically required to be made in order to avoid or resolve an Accounting Event or, as the case may be, a Withholding Tax Event;

(b) have been, or will on issue be, assigned at least the same corporate credit rating as that assigned by the Rating Agencies to the Securities immediately prior to such substitution or variation; and

(c) are listed on or by the SGX-ST or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

"**Rating Agencies**" means (1) S&P, (2) Moody's, and (3) if one or more of S&P or Moody's does not make a rating of the Securities publicly available, an internationally recognized securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for S&P or Moody's, as the case may be.

"**Rating Category**" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody's used by another Rating

Agency. In determining whether the rating of the Issuer has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "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 S&P, a decline in a rating from "BB+" to "BB," as well as from "B-" to "B+", will constitute a decrease of one gradation).

"**Rating Date**" means 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 Issuer or any other Person or Persons to effect a Change of Control.

"**Rating Decline or Withdrawal**" means 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 Issuer or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Issuer is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(a) in the event the Issuer is rated by both Moody's and S&P on the Rating Date as Investment Grade, the rating of the Issuer by either Rating Agency shall be below Investment Grade;

(b) in the event the Issuer is rated by either, but not both, of the Rating Agencies on the rating date as Investment Grade, the rating of the Issuer by such Rating Agency shall be below Investment Grade;

(c) in the event the Issuer is rated below Investment Grade by Rating Agencies on the Rating Date, the rating of the Issuer by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(d) the Issuer is no longer rated by both S&P and Moody's or the Securities are no longer rated by at least one Rating Agency.

"**Redemption Amount**" means the outstanding principal amount of the Securities, together with Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

"**Reference Treasury Dealer**" means each of the three nationally recognized investment banking firms that are primary U.S. Government securities dealers, as selected by the Issuer and notified to the Calculation Agent.

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Calculation Agent, 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 to the Calculation Agent by such Reference Treasury Dealer at 5.00 p.m., New York City time, on the third Business Day immediately preceding such Calculation Date.

"**Reset Date**" means the First Reset Date and each date that falls a multiple of five years following the First Reset Date.

"**Reset Distribution Rate**" means the rate per annum equal to the aggregate of the Treasury Rate as at the relevant Reset Date plus the Initial Spread plus the Step-Up Margin.

"**S&P**" means S&P Global Ratings, a division of S&P Global Inc. and its successors.

"**Special Event**" means a Withholding Tax Event, an Accounting Event, or any combination of the foregoing.

"**Step-Up Margin**" means 5.00 per cent.

"**Subsidiary**" or "**Subsidiaries**" of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50 per cent. of the total ordinary voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) or (b) any partnership, joint venture limited liability company or similar entity of which more than 50 per cent. of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person.

"**Treasury Rate**" means the rate in percentage per annum notified by the Calculation Agent to the Issuer and the Holders (in accordance with Condition 16 *(Notices)*) equal to the yield, under the heading that represents the average for the week immediately prior to the relevant Calculation Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, "Treasury Rate" means the rate in percentage rate per annum equal to the semi- annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. The Treasury Rate will be calculated on the Calculation Business Day preceding the relevant Calculation Date.

"**Winding-Up**" means the order by a court of competent jurisdiction for the winding-up, liquidation or similar procedure in respect of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganization, reconstruction, merger or amalgamation (x) the terms of which reorganization, reconstruction, merger or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) which does not result in the Securities thereby becoming redeemable or repayable in accordance with these Conditions.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Securities in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Securities set out in this offering memorandum. Terms defined in the Terms and Conditions of the Securities have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Securities will be represented by a Global Certificate which will be registered in the name of a nominee for, and deposited with, The Hongkong and Shanghai Banking Corporation Limited as common depository for Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal sum to the Holder on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Securities, and to pay Distribution (including Arrears of Distributions and any Additional Distribution Amounts) on such principal sum in arrear on the dates and at the rate specified in the Terms and Conditions of the Securities, together with any additional amounts payable in accordance with the Terms and Conditions of the Securities, all subject to and in accordance with the Terms and Conditions of the Securities.

The Global Certificate will become exchangeable in whole, but not in part, for individual securities certificates (''Certificates'') if Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

Whenever the Global Certificate is to be exchanged for Certificates, such Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Certificates (including, without limitation, the names and addresses of the persons in whose names the Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Securities scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions which modify the ''*Terms and Conditions of the Securities*'' as they apply to the Securities evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Record date: Notwithstanding Condition 7, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an ''Alternative Clearing System''), each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where ''Clearing System Business Day'' means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Notices: Notwithstanding Condition 16, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System, notices to Holders of Securities represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

Determination of entitlement: The Global Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of the Global Certificate.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a general description of certain Cayman Islands and Hong Kong tax considerations relating to the Securities. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

CAYMAN ISLANDS

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from August 2, 2005.

There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands.

The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double taxation treaties.

HONG KONG

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal or distributions in respect of the Securities.

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, exchange or redemption of the Securities where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Distributions on the Securities will be subject to Hong Kong profits tax where such distributions are derived from a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and the income that arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such distributions are 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 Securities where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security (so long as the register of holders of the Securities is maintained outside Hong Kong, as is expected to be the case).

The Proposed Financial Transactions Tax

On February 14, 2013, the European Commission published a proposal (the ''Commission's Proposal'') for a Directive for a common financial transactions tax (''FTT'') in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the ''participating Member States''). However, Estonia has since stated that it will not participate. If the Commission's Proposal is adopted, the FTT would be a tax primarily on ''financial institutions'' (which could include the Issuer) in relation to ''financial transactions'' (which could include the issuance or sale of the Securities).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, ''established'' in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a participating Member State.

The FTT may give rise to tax liabilities for the Issuer if it is adopted based on the Commission's Proposal. It should be noted that the FTT could be payable by Holders, including in relation to secondary market transactions, if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's Proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt but there is, however, uncertainty in relation to the intended scope of the exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Each of the Joint Lead Managers has, pursuant to a Subscription Agreement dated November 18, 2019 among the Issuer and the Joint Lead Managers, agreed with the Issuer, subject to the satisfaction of certain conditions, to severally subscribe for the aggregate principal amount of the Securities indicated opposite their respective names in the following table (at the Issue Price of 100 per cent. of their principal amount). Any subsequent offering of the Securities to investors may be at a price different from the Issue Price.

Joint Lead Managers	**Principal Amount of Securities to be Subscribed**
The Hongkong and Shanghai Banking Corporation Limited	U.S.$90,000,000
Standard Chartered Bank	U.S.$90,000,000
The Bank of East Asia, Limited	U.S.$10,000,000
HeungKong Securities Limited	U.S.$10,000,000
Total	**U.S.$200,000,000**

The Issuer has agreed to pay the Joint Lead Managers certain fees and underwriting commissions, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Securities, and to indemnify the Joint Lead Managers certain liabilities in connection with the offering and sale of the Securities. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Securities.

The Issuer has agreed with the Joint Lead Managers that certain private banks be paid a commission in connection with the purchase of the Securities by their private bank clients, which commission may be deducted from the purchase price for the Securities payable by such private banks upon settlement.

The Joint lead Managers and certain of their respective affiliates may have performed investment banking and advisory services for the Issuer from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and certain of their affiliates may, from time to time, engage in transactions with and perform services for the Issuer in the ordinary course of business. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any one of the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or its affiliate on behalf of the Issuer in such jurisdiction.

The Joint Lead Managers and certain of their respective affiliates may purchase the Securities and be allocated the Securities for asset management and/or proprietary purposes but not with a view to distribution.

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

The Securities are a new issue of securities with no established trading market. Application has been made to the SGX-ST for the listing and quotation of the Securities on the SGX-ST.

GENERAL

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Securities, or possession or distribution of this offering memorandum or any amendment or supplement thereto or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. Accordingly, neither the Securities may be offered or sold, directly or indirectly, and neither the offering memorandum nor any other offering material or advertisements in connection with the Securities may be distributed or published, by the Issuer or the Joint Lead Managers in or from any country or jurisdiction, except in compliance with all applicable rules and regulations of any such country or jurisdiction.

UNITED STATES

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Securities, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Securities may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Securities in, from or otherwise involving the United Kingdom.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each of the Joint Lead Managers 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 Securities 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:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

THE PRC

Each of the Joint Lead Managers has represented, warranted and undertaken that the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China, except as permitted by the securities laws of the People's Republic of China.

HONG KONG

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to "professional investors" as defined in the SFO and any rules made under that Ordinance; 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 Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

SINGAPORE

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

(i) 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

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

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

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

JAPAN

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "Financial Instruments and Exchange Act") and, accordingly, each of the Joint Lead Managers has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities 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 re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

CAYMAN ISLANDS

No offer or invitation may be made to the public in the Cayman Islands to subscribe for the Securities. Each of the Joint Lead Managers has represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the Securities.

TAIWAN

The offer of the Securities has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Securities in Taiwan.

RATINGS

We expect the Securities to be rated "Ba3" by Moody's Investors Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and distribution of the Securities. The ratings do not address the payment of any Distributions and do not constitute recommendations to purchase, hold or sell the Securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Securities, on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the Securities will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law, Sidley Austin as to matters of Hong Kong and English law and Jingtian & Gongcheng Attorneys at Law as to matters of PRC law. Certain legal matters will be passed upon for the Joint Lead Managers by Clifford Chance as to matters of English law and Commerce & Finance Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with the HKSA issued by the HKICPA as stated in the reports therein have been reproduced from our annual reports for the years ended December 31, 2017 and 2018, respectively. Our condensed consolidated interim financial information as of and for the six months ended June 30, 2019 reproduced in this offering memorandum have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, as stated in our interim report for the six months ended June 30, 2019.

GENERAL INFORMATION

1. The Securities have been accepted for clearance through Euroclear and Clearstream with the Common Code of 208152467. The International Securities Identification Number (the "ISIN") for the Securities is XS2081524675.

2. Application has been made to the SGX-ST for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Securities on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, any other subsidiary or associated company of the Company or the Securities.

3. The Company has obtained all necessary consents, approvals and authorizations as may be required in connection with the issue and performance of the Securities. The issue of the Securities was authorized by a resolution of the Board of Directors of the Company passed on November 15, 2019.

   An Enterprise Foreign Debt Filing Certificate dated July 23, 2019 has been obtained from the NDRC in connection with the issuance of the Securities pursuant to the NDRC Notice. The Company has undertaken to file or cause to be filed with the NDRC the NDRC Post-issue Filing.

4. Except as disclosed in this offering memorandum, there has been no adverse change in the prospects of the Issuer or the Group nor any adverse change in the financial or trading position of the Group since June 30, 2019.

5. Except as disclosed in this offering memorandum, neither the Company or any of the Company's subsidiaries is involved in any governmental, legal or arbitration proceedings which may have or during the 12 months prior to the date of this offering memorandum have had an effect on the financial position or profitability of the Group which is material in the context of the issue of the Securities, nor is the Company or any of the Company's subsidiaries aware that any such proceedings are pending or threatened.

6. For so long as any of the Securities is outstanding, copies of the Trust Deed may be inspected by holders of the Securities upon production of satisfactory evidence of holding, free of charge during normal business hours on any weekday (except public holidays) with prior written notice at the specified offices of the Principal Paying Agent.

   For so long as any of the Securities is outstanding, copies of the accountants' reports and/or our published financial statements, if any, including the accountants' report set out in the section entitled "*Index to Consolidated Financial Statements,*" may be obtained during normal business hours on any weekday (except public holidays) at the Company's principal office.

7. The financial statements of the Group as at and for the year ended December 31, 2016, 2017 and 2018 have been audited by PricewaterhouseCoopers, Certified Public Accountants in accordance with the Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA with unmodified audit opinion. The financial statements of the Group as of and for the six months ended June 30, 2019 have been reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

8. The Legal Entity Identifier (LEI) code of the Issuer is 549300ZRISRT38EEYY07.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Notes:

(1) The unaudited condensed consolidated interim financial information set out herein has been reproduced from the Company's interim report for the six months ended June 30, 2019, and page references are references to pages set forth in such report. The unaudited condensed consolidated interim financial information has not been specifically prepared for the inclusion in this offering memorandum.

(2) The audited consolidated financial statements set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2017 and 2018, and page references are references to pages set forth in such reports. The audited consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

Interim Consolidated Balance Sheet

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**10,135,686**	8,753,527
Investment properties	6	**8,434,750**	8,804,220
Land use rights	6	**2,213,978**	2,039,236
Right-of-use assets	6	**723,132**	–
Goodwill	7	**3,093,210**	1,841,613
Other intangible assets	7	**507,492**	258,990
Interests in associates	8	**1,091,212**	951,393
Interests in joint ventures	9	**11,013,740**	9,136,960
Properties under development	11	**20,182,627**	16,936,396
Prepayments for acquisition of equity interests	13	**802,314**	870,856
Receivables from related parties	15	**6,970,515**	12,510,503
Financial assets at fair value through other comprehensive income		**149,542**	–
Deferred income tax assets		**994,299**	1,433,982
		66,312,497	63,537,676
Current assets			
Financial assets at fair value through profit or loss	10	**2,607,169**	3,232,031
Properties under development	11	**83,744,956**	73,631,444
Completed properties held for sale	12	**6,432,953**	8,446,700
Prepayments for acquisition of land use rights	14	**14,328,964**	5,187,072
Contract assets		**462,795**	448,715
Trade and other receivables	15	**29,153,979**	27,735,425
Prepaid income taxes		**5,919,806**	3,165,117
Restricted cash	16	**8,383,819**	9,285,376
Cash and cash equivalents	17	**33,204,267**	35,776,231
Derivative financial instruments	24	**11,036**	–
		184,249,744	166,908,111
Total assets		**250,562,241**	230,445,787

Interim Consolidated Balance Sheet (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Note	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	18	**3,421,883**	3,421,883
Shares held for Share Award Scheme	19	**(156,588)**	(156,588)
Other reserves	20	**2,975,164**	2,604,982
Retained earnings		**38,363,826**	35,368,931
		44,604,285	41,239,208
Perpetual Capital Securities	21	**13,147,447**	8,334,875
Non-controlling interests		**6,209,687**	5,406,850
Total equity		**63,961,419**	54,980,933
LIABILITIES			
Non-current liabilities			
Borrowings	22	**57,455,085**	53,196,485
Derivative financial instruments	24	**27,272**	6,144
Financial liabilities at fair value through profit or loss		**62,179**	–
Deferred income tax liabilities		**3,339,259**	1,884,085
Lease liabilities		**439,490**	–
		61,323,285	55,086,714
Current liabilities			
Contract liabilities	5	**32,231,094**	25,489,558
Borrowings	22	**36,111,659**	35,332,872
Trade and other payables	23	**40,037,815**	42,533,971
Derivative financial instruments	24	**–**	7,192
Lease liabilities		**178,890**	–
Current income tax liabilities		**16,718,079**	17,014,547
		125,277,537	120,378,140
Total liabilities		**186,600,822**	175,464,854
Total equity and liabilities		**250,562,241**	230,445,787

The notes on pages 26 to 74 form an integral part of this interim financial information.

Interim Consolidated Income Statement

(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2019	2018
	Note	**(Unaudited)**	(Unaudited)
Revenue	5	**27,114,425**	24,205,780
Cost of sales	25	**(18,894,381)**	(12,187,897)
Gross profit		**8,220,044**	12,017,883
Selling and marketing costs	25	**(958,789)**	(1,030,848)
Administrative expenses	25	**(1,390,459)**	(1,017,952)
Net impairment losses on financial and contract assets		**(58,835)**	(28,667)
Other gains, net	26	**4,721,982**	314,344
Other income	27	**577,400**	372,917
Other expenses	28	**(134,737)**	(54,024)
Operating profit		**10,976,606**	10,573,653
Finance costs, net	29	**(925,642)**	(853,269)
Share of post-tax (losses)/profits of associates	8	**(10,212)**	48,418
Share of post-tax profits/(losses) of joint ventures	9	**160,500**	(99,163)
Profit before income tax		**10,201,252**	9,669,639
Income tax expenses	30	**(4,307,561)**	(5,389,298)
Profit for the period		**5,893,691**	4,280,341
Profit attributable to:			
Shareholders of the Company		**5,076,668**	3,758,948
Holders of Perpetual Capital Securities		**417,296**	287,316
Non-controlling interests		**399,727**	234,077
		5,893,691	4,280,341
Earnings per share from continuing operations attributable to the shareholders of the Company for the period (expressed in Renminbi per share)			
— Basic	31	**1.308**	0.968
— Diluted	31	**1.308**	0.968

The notes on pages 26 to 74 form an integral part of this interim financial information.

Interim Consolidated Statement of Comprehensive Income

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period	**5,893,691**	4,280,341
Other comprehensive income for the period		
Items that may be reclassified to profit or loss		
— Currency translation differences	**1,820**	491
Items that will not be reclassified subsequently to profit or loss		
— Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	**(25,588)**	–
Other comprehensive income for the period, net of tax	**(23,768)**	491
Total comprehensive income for the period	**5,869,923**	4,280,832
Total comprehensive income attributable to:		
Shareholders of the Company	**5,052,237**	3,758,661
Holders of the Perpetual Capital Securities	**417,296**	287,316
Non-controlling interests	**400,390**	234,855
	5,869,923	4,280,832

The notes on pages 26 to 74 form an integral part of this interim financial information.

Interim Consolidated Statement of Changes in Equity

(All amounts in RMB thousands unless otherwise stated)

	Unaudited							
	Attributable to the shareholders of the Company							
	Share capital and premium (note 18)	Shares held for Share Award Scheme (note 19)	Other reserves (note 20)	Retained earnings	Total	Perpetual Capital Securities (note 21)	Non-controlling interests	Total equity
Balance at 1 January 2019	**3,421,883**	**(156,588)**	**2,604,982**	**35,368,931**	**41,239,208**	**8,334,875**	**5,406,850**	**54,980,933**
Comprehensive income								
Profit for the period	–	–	–	5,076,668	5,076,668	417,296	399,727	5,893,691
Other comprehensive income								
— Currency translation differences	–	–	1,157	–	1,157	–	663	1,820
— Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(25,588)	–	(25,588)	–	–	(25,588)
Total comprehensive income for the six months ended 30 June 2019	–	–	(24,431)	5,076,668	5,052,237	417,296	400,390	5,869,923
Transfer from statutory reserve and enterprise expansion funds	–	–	415,542	(415,542)	–	–	–	–
Distribution to holders of Perpetual Capital Securities	–	–	–	–	–	(389,400)	–	(389,400)
Capital injection by non-controlling interests	–	–	–	–	–	–	393,648	393,648
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	–	–	453,245	453,245
Acquisition of additional interests in subsidiaries	–	–	41,250	–	41,250	–	(140,050)	(98,800)
Issuance of Perpetual Capital Securities	–	–	–	–	–	4,784,676	–	4,784,676
Dividends (note 32)	–	–	–	(1,666,231)	(1,666,231)	–	(304,396)	(1,970,627)
Put options granted during the acquisition of subsidiaries	–	–	(62,179)	–	(62,179)	–	–	(62,179)
Total transactions with shareholders, recognised directly in equity for the six months ended 30 June 2019	–	–	394,613	(2,081,773)	(1,687,160)	4,395,276	402,447	3,110,563
Balance at 30 June 2019	**3,421,883**	**(156,588)**	**2,975,164**	**38,363,826**	**44,604,285**	**13,147,447**	**6,209,687**	**63,961,419**

Interim Consolidated Statement of Changes in Equity (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Unaudited							
	Attributable to the shareholders of the Company							
	Share capital and premium (note 18)	Shares held for Share Award Scheme (note 19)	Other reserves (note 20)	Retained earnings	Total	Perpetual Capital Securities (note 21)	Non-controlling interests	Total equity
Balance at 1 January 2018	3,421,883	(156,588)	785,400	32,284,542	36,335,237	5,529,424	2,311,569	44,176,230
Comprehensive income								
Profit for the period	–	–	–	3,758,948	3,758,948	287,316	234,077	4,280,341
Other comprehensive income								
— Currency translation differences	–	–	(287)	–	(287)	–	778	491
Total comprehensive income for the six months ended 30 June 2018	–	–	(287)	3,758,948	3,758,661	287,316	234,855	4,280,832
Transfer from statutory reserve and enterprise expansion funds	–	–	261,003	(261,003)	–	–	–	–
Distribution to holders of Perpetual Capital Securities	–	–	–	–	–	(259,354)	–	(259,354)
Redemption of Perpetual Capital Securities	–	–	–	–	–	(1,011,216)	–	(1,011,216)
Capital injection by non-controlling interests	–	–	1,464,652	–	1,464,652	–	1,739,022	3,203,674
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	–	–	323,366	323,366
Acquisition of additional interests in a subsidiary	–	–	(21,670)	–	(21,670)	–	(2,291)	(23,961)
Issuance of Perpetual Capital Securities	–	–	–	–	–	3,739,538	–	3,739,538
Dividends (note 32)	–	–	–	(2,140,913)	(2,140,913)	–	(43,200)	(2,184,113)
Total transactions with shareholders, recognised directly in equity for the six months ended 30 June 2018	–	–	1,703,985	(2,401,916)	(697,931)	2,468,968	2,016,897	3,787,934
Balance at 30 June 2018	3,421,883	(156,588)	2,489,098	33,641,574	39,395,967	8,285,708	4,563,321	52,244,996

The notes on pages 26 to 74 form an integral part of this interim financial information.

Interim Consolidated Statement of Cash Flows

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June **2019 (Unaudited)**	2018 (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		**(2,758,041)**	994,496
Interest paid		**(2,801,119)**	(1,743,815)
PRC income tax paid		**(6,281,320)**	(6,244,350)
Net cash used in operating activities		**(11,840,480)**	(6,993,669)
Cash flows from investing activities			
Proceeds from disposal of investment properties and property, plant and equipment		**56,215**	20,182
Payments for acquisition of subsidiaries through business combination	34	**(600,654)**	(139,252)
Proceeds from disposal of a subsidiary	33	**(235,495)**	–
Payments of construction cost of investment properties		**(52,430)**	–
Purchases of property, plant and equipment		**(684,582)**	(419,075)
Purchases of intangible assets		**(9,541)**	(5,937)
Repayment of cash advances from joint ventures		**7,130,853**	970,657
Cash advances made to associates and joint ventures		**(1,835,078)**	(8,144,841)
Prepayment for acquisition of equity interests		**(171,547)**	(320,854)
Payment for acquisition of additional equity interest in subsidiaries		**(98,800)**	(23,961)
Investments in joint ventures and associates		**(408,421)**	(860,437)
Payment for acquisition of self-used land use rights		**(122,950)**	–
Interest received		**484,377**	282,084
Payment for settlement of derivative financial instruments		**–**	(316,347)
Proceeds from settlement of derivative financial instruments		**177,000**	–
Purchase of wealth management products		**(28,294,907)**	(7,988,865)
Redemption of wealth management products		**28,136,613**	7,968,865
Payment for acquisition of other financial assets at fair value through profit or loss		**(1,237,366)**	(2,935,394)
Disposal of other financial assets at fair value through profit or loss		**3,055,138**	514,966
Payment for acquisition of financial assets at fair value through other comprehensive income		**(175,130)**	–
Dividend income received		**3,445**	31,883
Net cash generated from/(used in) investing activities		**5,116,740**	(11,366,326)

Interim Consolidated Statement of Cash Flows (Continued)

(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2019	2018
	Note	**(Unaudited)**	(Unaudited)
Cash flows from financing activities			
Net proceeds from issuance of Perpetual Capital Securities		**4,784,676**	3,739,538
Redemption of Perpetual Capital Securities		**–**	(1,011,216)
Net proceeds from borrowings		**25,726,693**	29,819,104
Repayments of borrowings		**(21,939,803)**	(16,756,532)
Repayments of cash advances to related parties		**(6,210,143)**	(13,916)
Cash advances from related parties		**2,708,388**	806,171
Cash advance from non-controlling interests		**3,188,633**	–
Repayment of cash advance from non-controlling interests		**(2,123,579)**	–
Principal elements of lease payments		**(180,031)**	–
Increase in guarantee deposit for borrowings		**(46,996)**	–
Capital injection by non-controlling interests		**393,648**	3,203,674
Distribution to holders of Perpetual Capital Securities		**(389,400)**	(259,354)
Dividends paid to shareholders of the Company		**(1,666,231)**	(2,140,913)
Dividends paid to non-controlling interests		**(103,512)**	(43,200)
Net cash generated from financing activities		**4,142,343**	17,343,356
Net decrease in cash and cash equivalents		**(2,581,397)**	(1,016,639)
Net cash and cash equivalents at 1 January		**35,776,231**	19,041,948
Exchange gains on cash and cash equivalents		**9,433**	147,569
Cash and cash equivalents at 30 June	17	**33,204,267**	18,172,878

The notes on pages 26 to 74 form an integral part of this interim financial information.

Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

1 General Information

Agile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the "Group") are principally engaged in property development in the People's Republic of China (the "PRC").

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 December 2005.

The condensed consolidated interim financial information was approved by the Board of Directors of the Company on 21 August 2019.

This condensed consolidated interim financial information has not been audited, but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity issued by the Hong Kong Institute of Certified Public Accountants. In addition, these condensed interim financial information has been reviewed by the Company's Audit Committee.

2 Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018 and any public announcement made by the Company during the six months ended 30 June 2019.

3 Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (note 30) and the adoption of new and amended standards as set out below.

(a) New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for the reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Annual Improvements 2015–2017 Cycle
- HK (IFRIC) 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation — Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to HKAS 28
- Plan Amendment, Curtailment or Settlement — Amendments to HKAS 19

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting Policies (Continued)

(a) New and Amended Standards Adopted by the Group (Continued)

The Group had to change its accounting policies and make certain modified retrospective adjustments as a result of adopting the HKFRS 16 Leases. The impact of the adoption of the leasing standard is disclosed in note 3(c) below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New and Amendments to Existing Standards have been Issued but are not Effective for the Financial Year Beginning on 1 January 2019 and have not been Early Adopted by the Group

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations.

(c) Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 3(c)(i) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(i) Adjustments Recognised on Adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.06%.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting Policies (Continued)

(c) Changes in Accounting Policies (Continued)

(i) Adjustments Recognised on Adoption of HKFRS 16 (Continued)

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	295,570
Discounted using the lessee's incremental borrowing rate of at the date of initial application	244,235
(Less): short-term leases and low-value leases recognised on a straight–line basis as expense	(3,147)
(Less): contracts reassessed as service agreements	(46,714)
Lease liability recognised as at 1 January 2019	194,374
Of which are:	
Current lease liabilities	73,076
Non-current lease liabilities	121,298
	194,374

Under the modified retrospective approach, the associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Recognised right-of-use assets related to the following types of assets:

	30 June 2019	1 January 2019
Property, plant and equipment	**703,530**	174,046
Land use right for ancillary facilities	**19,602**	20,328
Total right-of-use assets	**723,132**	194,374

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets — increase by RMB194,374,000
- Lease liability — increase by RMB194,374,000

There is no impact on the retained earnings on 1 January 2019.

There is no material impact on earnings per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting Policies (Continued)

(c) Changes in Accounting Policies (Continued)

(i) Adjustments Recognised on Adoption of HKFRS 16 (Continued)

Impact on Segment Disclosures

Segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The change in accounting policy will increase segment assets and liabilities as at 30 June 2019 as follows:

	Segment assets	Segment liabilities
Property development	669,945	563,538
Property management	23,628	24,785
Hotel operations	27,807	28,357
Environmental protection	1,218	1,097
Property investment	534	603
	723,132	618,380

Practical Expedients Applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-INT 4 Determining whether an Arrangement contains a Lease.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting Policies (Continued)

(c) Changes in Accounting Policies (Continued)

(ii) the Group's Leasing Activities and how these are Accounted for

The Group leases various offices and land use right for ancillary facilities. Rental contracts are typically made for fixed periods of 1 to 14 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, and leased assets were not be used as security for borrowing purposes.

Until the 2018 financial year, leases were classified as operating leases. Payments (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;

- Any lease payments made at or before the commencement date less any lease incentives received;

- Any initial direct costs; and

- Restoration costs.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting Policies (Continued)

(c) Changes in Accounting Policies (Continued)

(ii) the Group's Leasing Activities and how these are Accounted for (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise staff dormitory and small items of office furniture.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4 Fair Value Measurement of Financial Instruments

(a) Fair Value Hierarchy

The hierarchy of financial assets or financial liabilities measured at fair value is as follows:

At 30 June 2019 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Hong Kong listed equity securities	**1,837,946**	**–**	**–**	**1,837,946**
— Unlisted equity securities	**–**	**–**	**460,502**	**460,502**
— Wealth management products	**–**	**–**	**215,403**	**215,403**
— Others	**–**	**–**	**93,318**	**93,318**
Derivative financial instruments	**–**	**11,036**	**–**	**11,036**
Financial assets at fair value through other comprehensive income (FVOCI)				
— Hong Kong listed equity securities	**149,542**	**–**	**–**	**149,542**
Total financial assets	**1,987,488**	**11,036**	**769,223**	**2,767,747**
Financial liabilities				
Derivative financial instruments	**–**	**27,272**	**–**	**27,272**
Financial liabilities at fair value through profit or loss	**–**	**–**	**62,179**	**62,179**
Total financial liabilities	**–**	**27,272**	**62,179**	**89,451**

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

4 Fair Value Measurement of Financial Instruments (Continued)

(a) Fair Value Hierarchy (Continued)

At 31 December 2018 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
— Hong Kong listed equity securities and debt instruments	2,752,310	–	–	2,752,310
— Unlisted equity securities	–	–	459,721	459,721
— Wealth management products	–	–	20,000	20,000
Total financial assets	2,752,310	–	479,721	3,232,031
Financial liabilities				
Derivative financial instruments	–	13,336	–	13,336
Total financial liabilities	–	13,336	–	13,336

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2019.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined 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 of an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

4 Fair Value Measurement of Financial Instruments (Continued)

(b) Valuation Techniques Used to Determine Fair Values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, wealth management products and others explained in (c) below.

(c) Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2019:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Opening balance	**479,721**	277,500
Additions	**28,361,989**	8,118,497
Addition through business combinations (note 34)	**16,411**	–
Redemption of wealth management products	**(28,136,613)**	(7,968,865)
Gains recognised in other gains, net	**47,715**	109,210
Closing balance	**769,223**	536,342

Valuation Processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included the unlisted equity securities and wealth management products (note 10) only. As the investments in unlisted companies are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

4 Fair Value Measurement of Financial Instruments (Continued)

(c) Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)

Valuation Processes (Continued)

- Earnings growth factor for unlisted equity securities, wealth management products and others: these are estimated based on market information for similar types of companies and products.

- Expected cash inflows: these are estimated based on the terms of the operating contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.

(d) Fair Values of Other Financial Instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable and payable is either close to current market rates or the instruments are short-term in nature.

5 Segment Information

The executive directors of the Company, which are the chief operating decision-maker 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 reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into five business segments: property development, property management, hotel operations, property investment and environmental protection. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC, most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

Segment results for the six months ended 30 June 2019 and 2018 are as follows:

Six Months Ended 30 June 2019 (Unaudited)

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Group
Gross segment sales	24,685,054	2,241,228	352,862	97,810	474,078	27,851,032
Inter-segment sales	–	(736,607)	–	–	–	(736,607)
Sales to external customers	24,685,054	1,504,621	352,862	97,810	474,078	27,114,425
Timing of revenue recognition						
— At a point in time	24,336,757	6,157	–	–	12,945	24,355,859
— Over time	348,297	1,498,464	352,862	97,810	461,133	2,758,566
Fair value gains on investment properties (note 6)	–	–	–	1,870	–	1,870
Operating profit/(loss)	10,160,874	591,782	(70,941)	70,128	224,763	10,976,606
Share of post-tax (losses)/profits of associates (note 8)	(21,402)	5,943	–	–	5,247	(10,212)
Share of post-tax profits/(losses) of joint ventures (note 9)	160,627	(127)	–	–	–	160,500
Segment result	10,300,099	597,598	(70,941)	70,128	230,010	11,126,894
Finance cost, net (note 29)						(925,642)
Profit before income tax						10,201,252
Income tax expenses (note 30)						(4,307,561)
Profit for the period						5,893,691
Depreciation	81,834	8,244	151,363	–	18,798	260,239
Amortisation of land use rights, right-of-use assets and intangible assets	55,756	31,919	27,802	59	5,333	120,869
Write-down of completed properties held for sale and properties under development	523,728	–	–	–	–	523,728

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

Six Months Ended 30 June 2018 (Unaudited)

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Group
Gross segment sales	22,552,110	1,405,693	361,946	93,232	280,687	24,693,668
Inter-segment sales	–	(487,888)	–	–	–	(487,888)
Sales to external customers	22,552,110	917,805	361,946	93,232	280,687	24,205,780
Timing of revenue recognition						
— At a point in time	22,104,223	–	–	–	–	22,104,223
— Over time	447,887	917,805	361,946	93,232	280,687	2,101,557
Fair value gains on investment properties (note 6)	–	–	–	21,663	–	21,663
Operating profit/(loss)	10,049,825	425,157	(76,423)	59,025	116,069	10,573,653
Share of post-tax profits of associates (note 8)	48,418	–	–	–	–	48,418
Share of post-tax losses of joint ventures (note 9)	(99,163)	–	–	–	–	(99,163)
Segment result	9,999,080	425,157	(76,423)	59,025	116,069	10,522,908
Finance cost, net (note 29)						(853,269)
Profit before income tax						9,669,639
Income tax expenses (note 30)						(5,389,298)
Profit for the period						4,280,341
Depreciation	45,227	4,751	150,204	–	16,093	216,275
Amortisation of land use rights and intangible assets	9,213	9,549	24,332	–	1,143	44,237
Write-down of completed properties held for sale and properties under development	176,102	–	–	–	–	176,102

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

Segment assets and liabilities and capital expenditure as at 30 June 2019 are as follow (Unaudited):

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Segment assets	**206,428,346**	**8,704,437**	**8,145,769**	**8,435,284**	**10,507,582**	**(1,341,029)**	**240,880,389**
Unallocated assets							**9,681,852**
Total assets							**250,562,241**
Segment assets include:							
Interests in associates (note 8)	**729,479**	**254,363**	**–**	**–**	**107,370**		**1,091,212**
Interests in joint ventures (note 9)	**10,905,591**	**295**	**–**	**–**	**107,854**		**11,013,740**
Segment liabilities	**61,116,887**	**2,261,737**	**3,186,106**	**24,179**	**7,618,080**	**(1,341,029)**	**72,865,960**
Unallocated liabilities							**113,734,862**
Total liabilities							**186,600,822**
Capital expenditure	**573,386**	**371,247**	**43,992**	**53,703**	**1,391,592**	**–**	**2,433,920**

Segment assets and liabilities and capital expenditure as at 31 December 2018 are as follow (Audited):

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Segment assets	192,769,689	7,280,920	8,432,727	8,804,220	6,955,524	(1,628,423)	222,614,657
Unallocated assets							7,831,130
Total assets							230,445,787
Segment assets include:							
Interests in associates (note 8)	831,121	–	–	–	120,272	–	951,393
Interests in joint ventures (note 9)	8,879,241	422	–	–	257,297	–	9,136,960
Segment liabilities	59,113,638	1,558,055	3,449,498	18,839	5,511,922	(1,628,423)	68,023,529
Unallocated liabilities							107,441,325
Total liabilities							175,464,854
Capital expenditure	356,805	100,326	108,331	–	1,339,968	–	1,905,430

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

(a) There are no differences from the latest annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market prices.

Segment assets consist primarily of property, plant and equipment, land use rights, right-of-use assets, intangible assets, properties under development, completed properties held for sale, investment properties, receivables, contract assets and cash balances. Unallocated assets comprise deferred income tax assets, prepaid income taxes, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings, financial liabilities at fair value through profit or loss and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, land use rights, right-of-use assets, investment properties and intangible assets.

(b) Contract Liabilities

The Group has recognised the following revenue-related contract liabilities:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contract liabilities		
— Related parties (note 38(c))	**8,024**	3,530
— Third parties	**32,223,070**	25,486,028
	32,231,094	25,489,558

(i) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

(b) Contract Liabilities (Continued)

(ii) Revenue Recognised in relation to Contract Liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

Revenue recognised that was included in the balance of contract liabilities at the beginning of 2019	(RMB'000)
Sales of properties	18,058,787
Property management services and value-added services	360,754
	18,419,541

(iii) Unsatisfied Performance Obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities as of 30 June 2019 and 31 December 2018.

(c) Assets Recognised from Incremental Costs to Obtain a Contract

During the six months ended 30 June 2019, there was no significant incremental costs to obtain a contract.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

6 Property, Plant and Equipment, Investment Properties, Land Use Rights and Right-of-use Assets

	Property, Plant and equipment (note (a))	Investment properties (note (b))	Land use rights (note (c))	Right-of-use assets (note (d))
Six months ended 30 June 2018 (Unaudited)				
Opening net book amount as at 1 January 2018	7,573,037	5,886,604	2,073,655	–
Additions	421,791	–	–	–
Acquisition of subsidiaries	44,544	–	44,103	–
Disposals	(6,816)	–	–	–
Transfer from investment properties	152,921	(152,921)	–	–
Fair value gains on investment properties	–	21,663	–	–
Depreciation (note 25)	(216,275)	–	–	–
Amortisation				
— Capitalised in construction in progress	–	–	(2,716)	–
— Recognised as cost of sales and expenses (note 25)	–	–	(27,511)	–
Closing net book amount as at 30 June 2018	7,969,202	5,755,346	2,087,531	–
Six months ended 30 June 2019 (Unaudited)				
Opening net book amount as at 31 December 2018	**8,753,527**	**8,804,220**	**2,039,236**	**–**
Adoption of HKFRS 16 as at 1 January 2019	**–**	**–**	**–**	**194,374**
Additions	**687,298**	**52,430**	**122,950**	**587,865**
Acquisition of subsidiaries (note 34)	**599,311**	**–**	**107,903**	**–**
Disposals	**(10,211)**	**(57,770)**	**–**	**–**
Transfer to properties under development	**–**	**–**	**(22,010)**	**–**
Transfer from investment properties	**366,000**	**–**	**–**	**–**
Transfer to property, plant and equipment	**–**	**(366,000)**	**–**	**–**
Fair value gains on investment properties	**–**	**1,870**	**–**	**–**
Depreciation (note 25)	**(260,239)**	**–**	**–**	**–**
Amortisation	**–**	**–**	**–**	**–**
— Capitalised in construction in progress	**–**	**–**	**(2,716)**	**–**
— Recognised as cost of sales and expenses (note 25)	**–**	**–**	**(31,385)**	**(59,107)**
Closing net book amount as at 30 June 2019	**10,135,686**	**8,434,750**	**2,213,978**	**723,132**

Notes:

(a) As at 30 June 2019, certain self-used properties of RMB2,540,364,000 (31 December 2018: RMB2,527,699,000) were pledged as collateral for the Group's borrowings (note 22(e)).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

6 Property, Plant and Equipment, Land Use Rights, Right-of-use Assets and Investment Properties (Continued)

Notes: (Continued)

(b) During the six months ended 30 June 2019, certain investment properties with carrying value of RMB366,000,000 (six months ended 30 June 2018: RMB152,921,000) were transferred to property, plant and equipment and occupied by the Group as self-used office.

The Group measures its investment properties at fair value. At 30 June 2019, the investment properties were revalued by Vigers Appraisal & Consulting Limited, an independent qualified valuer, who holds a recognised relevant professional qualification.

Valuation Techniques

Fair value measurements used significant unobservable inputs (level 3).

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and the valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to the valuer's view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

The main Level 3 inputs used by the Group are as follows:

- Term yields, revisionary yields and market rents

  For completed investment properties, increase in term yield and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

- Market price

  For car parks, increase in market price may result in increase of fair value.

There were no changes in valuation techniques during the period.

Investment Properties Pledged as Security

As at 30 June 2019, investment properties of RMB5,364,000,000 (31 December 2018: RMB5,854,120,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings (note 22(e)).

(c) Land use rights comprise cost of acquiring usage rights of certain land, which are located in the PRC, held on leases of over 40 years, and mainly for hotel properties or self-used properties.

As at 30 June 2019, land use rights of RMB2,002,144,000 (31 December 2018: RMB1,285,839,000) were pledged as collateral for the Group's borrowings (note 22(e)).

(d) No right-of-use assets are pledged as security for borrowings as at 30 June 2019.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

7 Intangible Assets

	Goodwill	Other intangible assets	Total
Six months ended 30 June 2018 (Unaudited)			
Opening net book amount as at 1 January 2018	1,303,095	155,278	1,458,373
Acquisition of subsidiaries	242,653	116,752	359,405
Additions	–	5,937	5,937
Amortisation			
— Recognised as cost of sales and expenses (note 25)	–	(14,010)	(14,010)
Closing net book amount as at 30 June 2018	1,545,748	263,957	1,809,705
Six months ended 30 June 2019 (Unaudited)			
Opening net book amount as at 1 January 2019	**1,841,613**	**258,990**	**2,100,603**
Acquisition of subsidiaries (note 34)	**1,251,597**	**266,622**	**1,518,219**
Additions	**–**	**9,541**	**9,541**
Amortisation			
— Recognised as cost of sales and expenses (note 25)	**–**	**(27,661)**	**(27,661)**
Closing net book amount as at 30 June 2019	**3,093,210**	**507,492**	**3,600,702**

8 Interests in Associates

The directors of the Group consider that none of the associates for six months ended 30 June 2019 and 2018 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

The movements of the interests in associates during the period are as follows:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Balance as at 1 January	**951,393**	567,221
Additions	**144,061**	9,000
Addition through business combination (note 34)	**9,415**	–
Share of post-tax (losses)/profits of associates	**(10,212)**	48,418
Dividends paid	**(3,445)**	–
Balance as at 30 June	**1,091,212**	624,639

The associates are accounted for using the equity method.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

8 Interests in Associates (Continued)

As at 30 June 2019, the Group's shares of losses of certain associates exceeded its interests in the underlying entities, and the unrecognised share of losses of the associates amounted to RMB18,633,000 (31 December 2018: RMB3,362,000).

The contingent liabilities relating to the Group's interests in associates are disclosed in note 35. There is no commitment relating to the Group's interests in associates.

9 Interests in Joint Ventures

The directors of the Group consider that none of the joint ventures for six months ended 30 June 2019 and 2018 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

The movements of the interests in joint ventures during the period are as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Balance as at 1 January	**9,136,960**	6,438,514
Additions	**264,360**	939,533
Transfer from a subsidiary (note 33)	**2,706,776**	–
Transfer to a subsidiary (note (a) and note 34)	**(1,834,305)**	–
Remeasurement gains on the investment in joint venture (note (a) and note 26)	**579,449**	–
Share of post-tax profits/(losses) of joint ventures	**160,500**	(99,163)
Balance as at 30 June	**11,013,740**	7,278,884

Note:

(a) During the six months ended 30 June 2019, the Group acquired additional 50% equity interests in a joint venture from the other independent shareholder of the joint venture at total consideration of RMB1,834,305,000. Upon the completion of the acquisition, the joint venture became a wholly owned subsidiary of the group with a remeasurement gains on the investment in joint venture recognised in a amount of RMB579,449,000 (note 34).

The joint ventures are accounted for using the equity method.

As at 30 June 2019, the Group's shares of losses of certain joint ventures exceeded its interests in the underlying entities, the unrecognised share of losses of the joint ventures amounted to RMB126,932,000 (31 December 2018: RMB189,920,000).

The contingent liabilities relating to the Group's interests in joint ventures are disclosed in note 35. There is no commitment relating to the Group's interests in joint ventures.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

10 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include the following:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Hong Kong listed equity securities and debt instruments	**1,837,946**	2,752,310
Unlisted equity securities	**460,502**	459,721
Wealth management products	**215,403**	20,000
Others	**93,318**	–
	2,607,169	3,232,031

Notes:

(a) **Amounts Recognised in Profit or Loss**
Increases in fair value of financial assets at fair value through profit or loss amounting to RMB882,667,000 are recorded as "other gains, net" in the interim consolidated income statement (for six months ended 30 June 2018: decrease in fair value of RMB36,047,000) (note 26).

(b) **Fair Value Measurements**
The information about the methods and assumptions used in determining fair value is disclosed in note 4.

11 Properties Under Development

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	**83,744,956**	73,631,444
— Beyond one operating cycle included under non-current assets	**20,182,627**	16,936,396
	103,927,583	90,567,840
Properties under development comprise:		
— Construction costs and capitalised expenditures	**20,071,499**	16,668,090
— Capitalised interest	**5,815,850**	4,919,100
— Land use rights	**78,040,234**	68,980,650
	103,927,583	90,567,840

Majority of the Group's properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

11 Properties Under Development (Continued)

The capitalisation rate of borrowings for the six months ended 30 June 2019 is 7.38% (the year ended 31 December 2018: 7.27%).

As at 30 June 2019, a provision of RMB1,684,451,000 was made to write down the properties under development (31 December 2018: RMB1,264,729,000).

As at 30 June 2019, land use rights included in the properties under developments with net book value of RMB45,790,872,000 (31 December 2018: RMB38,935,943,000) were pledged as collateral for the Group's borrowings (note 22(e)).

12 Completed Properties Held for Sale

All completed properties held for sale are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 30 June 2019, completed properties held for sale of approximately RMB59,446,000 (31 December 2018: RMB94,341,000) were pledged as collateral for the Group's bank borrowings (note 22(e)).

As at 30 June 2019, a provision of RMB781,744,000 was made to write down the completed properties held for sale (31 December 2018: RMB677,738,000).

13 Prepayments for Acquisition of Equity Interests

The amounts represent the prepayments for acquisition of equity interests in several third parties.

14 Prepayments for Acquisition of Land Use Rights

The amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

15 Trade and Other Receivables

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables (note (a))	**6,570,179**	6,709,562
Less: allowance for impairment of trade receivables	**(53,755)**	(32,069)
Total trade receivables	**6,516,424**	6,677,493
Other receivables due from:		
— Joint ventures (note 38(c))	**9,905,201**	13,516,462
— Associates (note 38(c))	**3,591,605**	5,280,259
— Other related parties (note 38(c))	**199,624**	195,484
— Non-controlling interests	**790,587**	1,272,542
— Third parties	**9,890,753**	10,911,505
Prepaid value-added taxes and other taxes	**1,288,219**	887,133
Deposits for acquisition of land use rights	**2,839,055**	1,117,773
Prepayments	**1,231,767**	479,686
Less: allowance for impairment of other receivables	**(128,741)**	(92,409)
Total other receivables	**29,608,070**	33,568,435
Less: other receivables due from the associates and joint ventures — non-current portion	**(6,970,515)**	(12,510,503)
Other receivables — current portion	**22,637,555**	21,057,932
Trade and other receivables — current portion	**29,153,979**	27,735,425

As at 30 June 2019, the fair value of trade and other receivables approximated their carrying amounts.

Notes:

(a) Trade receivables mainly arose from sales of properties and provision of property management services. Trade receivables are settled in accordance with the terms stipulated in the sale and purchase agreements or property management service agreement. As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Up to 3 months	**4,517,915**	3,662,447
3 months to 1 year	**1,496,679**	2,350,270
Over 1 year	**555,585**	696,845
	6,570,179	6,709,562

As at 30 June 2019, trade and other receivables of approximately RMB1,757,897,000 (31 December 2018: RMB1,519,914,000) were pledged as collateral for the Group's bank borrowings (note 22).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

15 Trade and Other Receivables (Continued)

Notes: (Continued)

(a) (Continued)

The loss allowance arising from sales of properties as at 30 June 2019 and 31 December 2018 was determined as follows:

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2019, a provision of RMB53,755,000 was made against the gross amounts of trade receivables (31 December 2018: RMB32,069,000).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

16 Restricted Cash

As at 30 June 2019 and 31 December 2018, all of the Group's restricted cash were denominated in RMB and HKD. The conversion of the PRC Group entities' RMB denominated bank 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.

As at 30 June 2019 and 31 December 2018, restricted cash was mainly comprised of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

17 Cash and Cash Equivalents

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	**32,864,267**	33,936,231
Short-term bank deposits	**340,000**	1,840,000
	33,204,267	35,776,231
Denominated in RMB (note (a))	**24,954,466**	33,061,738
Denominated in other currencies	**8,249,801**	2,714,493
	33,204,267	35,776,231

Note:

(a) 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.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

18 Share Capital and Premium

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at 30 June 2019 and 31 December 2018	10,000,000,000	1,000,000			
Movements of issued and fully paid share capital					
Six months ended 30 June 2019 and Year ended 31 December 2018	3,917,047,500	391,705	400,253	3,021,630	3,421,883

19 Shares Held for Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30%, second 30% and remaining 40% Awarded Shares lapsed effective from 26 August 2015, 23 August 2016 and 28 August 2017 respectively. The lapsed shares hold in Share Award Scheme will not be cancelled. As at 30 June 2019, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (31 December 2018: RMB156,588,000), which was presented within equity in the interim consolidated balance sheet. For six months ended 30 June 2019, no expenses in relation to the Share Award Scheme were recognised in the interim consolidated income statement as the performance condition were not fulfilled and no awarded interim shares were vested (for the six months ended 30 June 2018: nil).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

20 Other Reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Translation reserve	Others	Total
Six months ended 30 June 2018					
Balance as at 1 January 2018	442,395	3,026,200	4,425	(2,687,620)	785,400
Transfer from retained earnings	–	261,003	–	–	261,003
Currency translation difference	–	–	(287)	–	(287)
Acquisition of additional interest in subsidiaries	–	–	–	(21,670)	(21,670)
Capital injection by non-controlling interests (note (c))	–	–	–	1,464,652	1,464,652
Balance as at 30 June 2018	442,395	3,287,203	4,138	(1,244,638)	2,489,098

	Merger reserve (note (a))	**Statutory reserve and enterprise expansion fund (note (b))**	**Translation reserve**	**Others**	**Total**
Six months ended 30 June 2019					
Balance as at 1 January 2019	**442,395**	**3,150,510**	**(2,057)**	**(985,866)**	**2,604,982**
Transfer from retained earnings	**–**	**415,542**	**–**	**–**	**415,542**
Currency translation difference	**–**	**–**	**1,157**	**–**	**1,157**
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**(25,588)**	**(25,588)**
Acquisition of additional interest in subsidiaries	**–**	**–**	**–**	**41,250**	**41,250**
Put options granted during the acquisition of subsidiaries (note (d))	**–**	**–**	**–**	**(62,179)**	**(62,179)**
Balance as at 30 June 2019	**442,395**	**3,566,052**	**(900)**	**(1,032,383)**	**2,975,164**

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

20 Other Reserves (Continued)

Notes:

(a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on the Stock Exchange.

(b) Pursuant to the relevant rules and regulations concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in the form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries.

(c) A subsidiary of the Group, Agile A-Living Services Co., Ltd. ("A-Living") issued 333,334,000 H shares at a nominal value of RMB1.00 per share ("A-Living's New Issue"). Such shares were offered at HK$12.3 per share and listed on the Main Board of the Hong Kong Stock Exchange on 9 February 2018. Net proceeds from A-Living's New Issue amounted to RMB3,203,674,000. The Company's equity interest in A-Living was diluted from 72% to 54% as a result of A-Living's New Issue and A-Living is still the subsidiary of the Company after its listing. The difference between the net proceeds from A-Living's New Issue and the carrying amount of the diluted net assets of RMB1,464,652,000 was recorded as a credit to the other reserves.

(d) A-Living has granted put options to the non-controlling interests shareholders of its subsidiary, according to which, the non-controlling interests shareholders owned a right of put their shares in the subsidiaries back on A-Living at the agreed price after certain period upon satisfaction of certain performance criteria of the subsidiaries. The fair value of the put options was debited to the shareholders equity of the Group.

21 Perpetual Capital Securities

Movements of the Perpetual Capital Securities are as follows:

	Principal	Distribution	Total
Six months ended 30 June 2018 (unaudited)			
Balance as at 1 January 2018	5,333,154	196,270	5,529,424
Issuance of Perpetual Capital Securities	3,739,538	–	3,739,538
Redemption of Perpetual Capital Securities	(1,011,216)	–	(1,011,216)
Profit attributable to holders of Perpetual Capital Securities	–	287,316	287,316
Distribution made to holders of Perpetual Capital Securities	–	(259,354)	(259,354)
Balance as at 30 June 2018	8,061,476	224,232	8,285,708
Six months ended 30 June 2019 (unaudited)			
Balance as at 1 January 2019	**8,057,046**	**277,829**	**8,334,875**
Issuance of Perpetual Capital Securities (note (a))	**4,784,676**	**–**	**4,784,676**
Profit attributable to holders of Perpetual Capital Securities	**–**	**417,296**	**417,296**
Distribution made to holders of Perpetual Capital Securities	**–**	**(389,400)**	**(389,400)**
Balance as at 30 June 2019	**12,841,722**	**305,725**	**13,147,447**

Note:

(a) In June 2019, the Company issued senior perpetual capital securities (the "2019 Perpetual Capital Securities") with the principal amount of US$700,000,000. Net proceeds after deducting the issuance cost amounted to US$694,478,000 (equivalent to approximately RMB4,784,676,000). The 2019 Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2019 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2019 Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

22 Borrowings

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Borrowings included in non-current liabilities:		
Senior notes (note (a))		
— Senior notes issued in 2015 ("2015 Senior Notes") (note (a)(i))	**3,414,989**	3,404,973
— Senior notes issued in 2017 ("2017 Senior Notes") (note (a)(ii))	**1,358,893**	1,353,991
— Senior notes issued in 2018 ("2018 Senior Notes I") (note (a)(iii))	**4,093,832**	4,082,123
— Senior notes issued in 2018 ("2018 Senior Notes II") (note (a)(iv))	**2,723,286**	2,710,393
— Senior notes issued in 2019 ("2019 Senior Notes") (note (a)(v))	**3,410,118**	–
PRC corporate bonds (note (b))	**8,564,851**	8,556,251
Asset-backed securities (note (c))	**1,055,340**	1,054,866
Commercial Mortgage Backed Securities (note (d))	**4,078,639**	4,073,272
Long-term syndicated loans		
— secured (note (e))	**16,261,451**	16,569,611
— unsecured (note (f))	**1,470,251**	3,189,536
Long-term bank borrowings		
— secured (note (e))	**21,966,571**	19,355,402
— unsecured (note (f))	**8,445,389**	7,702,072
Other borrowings		
— secured (note (e))	**5,411,130**	5,520,670
— unsecured (note (f))	**981,250**	1,002,295
Less: current portion of non-current borrowings	**(25,780,905)**	(25,378,970)
	57,455,085	53,196,485
Borrowings included in current liabilities:		
Short-term bank borrowings		
— secured (note (e))	**1,823,508**	1,778,944
— unsecured (note (f))	**1,466,565**	1,196,538
Short-term other borrowings		
— secured (note (e))	**6,340,681**	5,974,120
— unsecured (note (f))	**700,000**	1,004,300
Current portion of non-current borrowings	**25,780,905**	25,378,970
	36,111,659	35,332,872
Total borrowings	**93,566,744**	88,529,357

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

22 Borrowings (Continued)

Notes:

(a) Senior Notes

The senior notes are guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB3,714,348,000 as at 30 June 2019 (31 December 2018: RMB4,026,301,000).

(i) 2015 Senior Notes

On 21 May 2015, the Company issued 9% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,056,850,000) at 99.507% of the face value. The net proceeds, after deducting the issuance costs, amounted to US$490,391,000 (equivalent to approximately RMB2,998,104,000). The 2015 Senior Notes will mature on 21 May 2020. The Company, at its option, can redeem all or a portion of the 2015 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(ii) 2017 Senior Notes

On 14 August 2017, the Company issued 5.125% senior notes with an aggregated nominal value of US$200,000,000 (equivalent to approximately RMB1,332,020,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$196,125,000 (equivalent to approximately RMB1,306,210,000). The 2017 Senior Notes will mature on 14 August 2022. The Company, at its option, can redeem all or a portion of the 2017 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iii) 2018 Senior Notes I

On 18 July 2018, the Company issued 8.5% senior notes with an aggregated nominal value of US$600,000,000 (equivalent to approximately RMB4,040,064,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$593,557,000 (equivalent to approximately RMB3,997,108,000). The 2018 Senior Notes I will mature on 18 July 2021. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes I at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iv) 2018 Senior Notes II

On 23 November 2018, the Company issued 9.5% senior notes with an aggregated nominal value of US$400,000,000 (equivalent to approximately RMB2,772,240,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$394,533,000 (equivalent to approximately RMB2,734,182,000). The 2018 Senior Notes II will mature on 23 November 2020. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes II at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(v) 2019 Senior Notes

On 7 March 2019, the Company issued 6.7% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,355,500,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$495,429,000 (equivalent to approximately RMB3,324,823,000). The 2019 Senior Notes will mature on 7 March 2022. The Company, at its option, can redeem all or a portion of 2019 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(b) PRC Corporate Bonds

On 11 January 2016, a PRC subsidiary (the "Issuer") of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000 . On 14 January 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB12,228,000 as the investors exercised the right to sell back. The remaining bonds will mature on 11 January 2021 at the coupon rate of 6.95%.

On 29 July 2016, the Company issued 4.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on 29 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 11 October 2016, the Company issued 4.6% and 5.7% corporate bonds with an aggregate amount of RMB1,800,000,000 and RMB1,200,000,000, respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000 and RMB1,192,500,000, respectively. The bonds will mature on 11 October 2021 and 11 October 2023, respectively. The Company shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 12 July 2017, the Company issued 6.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,976,735,000. The bonds will mature on 12 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

22 Borrowings (Continued)

Notes: (Continued)

(c) **Asset-backed Securities**
A PRC subsidiary of the Company engaged in property development entered into asset-backed securities ("ABS") arrangement with an assets management company by pledging of the trade receivables from sale of properties. On 1 September 2017, the ABS was formally established with an aggregate nominal value of RMB1,111,500,000, with a 3-year maturity, amongst which RMB55,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,053,653,000.

(d) **Commercial Mortgage Backed Securities**
A PRC subsidiary of the Company engaged in commercial property operation entered into Commercial Mortgage Backed Securities ("CMBS") arrangement with an assets management company by pledging of the receivables for certain properties under its operation. On 10 April 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000, with a 18-year maturity, amongst which RMB500,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000.

(e) As at 30 June 2019, the Group's borrowings were secured by certain of its land use rights, self-used properties, trade and other receivables, completed properties held for sale, properties under development, investment properties and the shares of subsidiaries and equity interest.

(f) As at 30 June 2019, the Group's unsecured borrowings of RMB13,063,455,000 were jointly guaranteed by certain subsidiaries of the Group.

(g) Movements of borrowings are analysed as follows:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Opening amount as at 1 January	**88,529,357**	61,675,239
Additions	**25,790,343**	30,320,409
Addition from acquisition of subsidiaries	**1,723,100**	12,000
Repayments	**(21,939,803)**	(16,756,532)
Derecognition due to disposal of a subsidiary	**(880,000)**	–
Issuance costs	**(63,650)**	(501,305)
Amortisation of issuance costs	**206,148**	115,041
Exchange losses	**197,744**	441,124
Currency translation differences	**3,505**	2,055
Closing amount as at 30 June	**93,566,744**	75,308,031

(h) The Group has the following undrawn borrowing facilities:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Floating rate		
— expiring beyond one year	**6,192,534**	2,733,000

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

23 Trade and Other Payables

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade payables (note (a))	**18,578,750**	16,852,035
Other payables due to:		
— Related parties (note 38(c))	**4,868,072**	5,590,518
— Non-controlling interests	**4,179,947**	3,596,848
— Third parties	**6,579,298**	8,935,399
Staff welfare benefit payable	**326,887**	797,198
Accruals	**1,662,155**	1,465,095
Advances from disposal of a subsidiary	**–**	987,700
Other taxes payable	**3,842,706**	4,309,178
	40,037,815	42,533,971

Note:

(a) The ageing analysis of trade payables of the Group based on invoice date as at 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Up to 3 months	**14,497,159**	13,387,512
3 months to 6 months	**2,984,950**	2,729,635
6 months to 1 year	**894,111**	559,318
Over 1 year	**202,530**	175,570
	18,578,750	16,852,035

24 Derivative Financial Instruments

As at 30 June 2019 and 31 December 2018, the Group had the following derivative financial instruments:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Non-current portion:		
— Liability	**(27,272)**	(6,144)
Current portion:		
— Asset	**11,036**	–
— Liability	**–**	(7,192)

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

24 Derivative Financial Instruments (Continued)

The notional principal amounts of the outstanding US$ and HK$ forward foreign exchange contracts as at 30 June 2019 were US$1,900,000,000, equivalent to RMB13,061,930,000 in total (31 December 2018: US$3,200,000,000, equivalent to RMB21,962,240,000 in total).

For the six months ended 30 June 2019, gains derived from changes in fair value of derivative financial instruments of RMB174,100,000 (for six months ended 30 June 2018: losses of RMB184,153,000) have been recorded in "finance costs, net" in the interim consolidated income statement (note 29).

25 Expense by Nature

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Employee benefit expenses — including directors' emoluments	**2,158,765**	1,412,552
— property development	**961,847**	568,666
— property management	**965,636**	609,236
— hotel operations	**110,005**	109,712
— environmental protection	**121,277**	124,938
Cost of completed properties sold	**16,319,298**	10,414,078
Advertising costs	**338,991**	275,320
Commission fees	**290,754**	544,421
Depreciation (note 6)	**260,239**	216,275
Amortisation of intangible assets (note 7)	**27,661**	14,010
Amortisation of land use rights and right-of-use assets (note 6)	**90,492**	27,511
Write-down of properties under development	**419,722**	–
Write-down of completed properties held for sale	**104,006**	176,102
Taxes and other levies on sales of properties	**94,738**	162,913
Other taxes	**125,739**	170,415
Consulting fees	**138,533**	135,647
Auditors' remuneration	**4,369**	3,800
Utilities expenses	**90,601**	59,811
Cleaning expenses	**194,930**	113,172
Maintenance costs	**76,384**	89,217
Others	**508,407**	421,453
Total cost of sales, selling and marketing costs and administrative expenses	**21,243,629**	14,236,697

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

26 Other Gains, Net

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Gains from disposal of a subsidiary (note 33)	**2,988,981**	–
Remeasurement gains resulting from a joint venture transferred to a subsidiary (note 9)	**579,449**	–
Fair value gains/(losses) on financial assets at FVPL (note 10(a))	**882,667**	(36,047)
Gains on disposal of financial assets at FVPL	**247,028**	14,966
Fair value gains on investment properties	**1,870**	21,663
(Losses)/gains on disposal of property, plant and equipment and investment properties	**(11,597)**	13,366
Exchange gains, net (note (a))	**9,433**	147,569
Dividend income of financial assets at FVPL	**–**	124,441
Miscellaneous	**24,151**	28,386
	4,721,982	314,344

Note:

(a) Amounts mainly represent the losses or gains of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gains or losses related to borrowings which are included in the finance costs, net (note 29).

27 Other Income

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest income	**484,377**	282,084
Forfeited deposits from customers	**8,847**	9,422
Miscellaneous	**84,176**	81,411
	577,400	372,917

28 Other Expenses

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Charitable donations	**55,420**	13,954
Miscellaneous	**79,317**	40,070
	134,737	54,024

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

29 Finance Costs, Net

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest expense:		
— Bank borrowings, syndicated loans and other borrowings	**2,308,496**	1,476,214
— Senior notes	**592,132**	184,456
— PRC corporate bonds, ABS and CMBS	**434,712**	437,117
Less: interest capitalised	**(2,333,092)**	(1,734,833)
Exchange losses from borrowings	**197,744**	441,124
Less: exchange losses capitalised	**(100,250)**	(134,962)
(Gains)/losses in fair value of derivative financial instruments (note 24)	**(174,100)**	184,153
	925,642	853,269

30 Income Tax Expenses

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	**1,952,522**	2,052,292
— PRC land appreciation tax	**1,322,293**	3,142,903
— PRC withholding income tax	**140,189**	141,276
— Hong Kong profits tax	**73,015**	2,469
Deferred income tax		
— PRC corporate income tax	**834,419**	61,521
— Hong Kong profits tax	**(14,877)**	(11,163)
	4,307,561	5,389,298

Income tax expenses recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2019 is 32%, same as 32% for the six months ended 30 June 2018.

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 period, 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 of the PRC (the "CIT Law") effective on 1 January 2008.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

30 Income Tax Expenses (Continued)

PRC Corporate Income Tax (Continued)

In 2018, certain subsidiaries of the Group obtained the Certificate of High-Tech Corporation. According to the Corporation Income Tax Law of the PRC, corporations which obtain the Certificate of High-Tech Corporation are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. The tax rate applicable to these companies during the period ended 30 June 2019 was 15% (six months ended 30 June 2018: 15%). A subsidiary of the Group has enjoyed a preferential policy in Zhuhai Hengqin (Free Trade Area) with an enterprise income tax rate of 15% during the period ended 30 June 2019. Certain subsidiaries of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in certain years. Certain subsidiaries of the Group in the PRC provide environmental protection services and these companies enjoy the policy of "Three exemption and three half corporate income tax".

PRC Land Appreciation Tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

PRC Withholding Income Tax

According to the CIT 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 may 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.

During the six months ended 30 June 2019, certain immediate holding companies of the PRC subsidiaries of the Group are qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

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. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong Profits Tax

Except for the fair value gains and the disposal gain of financial assets at fair value through profit or loss which subject to the income tax rate of 16.5%, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

31 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period less shares held for Share Award Scheme.

	Six months ended 30 June	
	2019	2018
Profit attributable to shareholders of the Company	**5,076,668**	3,758,948
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	**3,882,578**	3,882,578
Basic earnings per share (RMB per share)	**1.308**	0.968

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. For the six months ended 30 June 2019 and 30 June 2018, there was no diluted potential ordinary share, diluted earnings per share equalled to basic earnings per share.

32 Dividends

A final dividend in respect of 2018 of HK$0.50 per ordinary share, approximately HK$1,958,524,000 (equivalent to RMB1,681,354,000) was declared at the Annual General Meeting of the Company on 10 May 2019, of which HK$17,235,000 (equivalent to RMB15,123,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings.

An interim dividend in respect of the six months ended 30 June 2019 of HK$0.60 per ordinary share, approximately HK$2,350,229,000 (equivalent to RMB2,110,764,000) was declared by the Board of Directors of the Company (the corresponding period of 2018: RMB1,705,463,000).

33 Disposal of a Subsidiary

During the six months ended 30 June 2019, the Group disposed of 34% of equity interests in a wholly owned subsidiary (the "Disposed Project") to an independent buyer (the "Buyer") at a total consideration of RMB1,394,400,000. The Group lost control over the Disposed Project and according to the shareholders agreement, the Group is eligible to exercise joint control over the Disposed Project together with the Buyer. The Group accounted for the Disposed Project as a joint venture and recorded disposal gain of RMB2,988,981,000 on 30 June 2019 when the transaction was completed. Details of the disposal are as follows:

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

33 Disposal of a Subsidiary (Continued)

Disposal considerations	
— Cash received	1,394,400
— Fair value of remaining equity interests in Disposed Project	2,706,776
Less:	
— total net assets of a subsidiary disposed of	(1,082,195)
— consulting expenses directly related to the transaction	(30,000)
Gains from disposal of a subsidiary	2,988,981
Cash proceeds from disposal, net of cash disposed of:	
Cash consideration received	1,394,400
Less:	
— cash and cash equivalents in the subsidiary disposed of	(205,495)
— advances from disposal of a subsidiary	(987,700)
— amount due to the Buyer	(406,700)
— consulting fees related to the transaction directly	(30,000)
Net cash outflow on disposals	(235,495)

34 Business Combinations

During the six months ended 30 June 2019, the Group completed several acquisitions of equity interests in certain companies, mainly included a property development company, property management companies and environmental protection companies, at consideration of RMB5,792,608,000 in aggregate. Goodwill of RMB1,251,597,000 and identifiable net assets of RMB4,541,011,000 were recognised. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

Details of the purchase consideration, the net asset acquired and goodwill are as follows:

Total Consideration	
Cash paid	1,688,126
Waiver of receivables from joint venture partner	1,684,218
Fair value of investments in joint ventures held before business combination	1,834,305
Consideration payable	586,370
Contingent consideration	(411)
	5,792,608

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

34 Business Combinations (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	822,627
Financial assets at fair value through profit or loss	16,000
Property, plant and equipment	599,311
Investments in associates	9,415
Properties under development	7,076,163
Other intangible assets	266,622
Land use rights	107,903
Trade and other receivables	3,667,773
Trade and other payables	(4,686,536)
Contract liabilities	(86,607)
Borrowings	(1,723,100)
Deferred income tax assets	4,709
Deferred income tax liabilities	(1,080,024)
Total identifiable net assets	4,994,256
Non-controlling interests	(453,245)
Identifiable net assets attributable to the Company	4,541,011
Goodwill	1,251,597

Net cash outflow arising on acquisition during the period ended 30 June 2019:

Cash paid	1,688,126
Less: Contingent consideration	(411)
Less: cash considerations paid in prior year	(264,434)
Cash considerations paid in the period	1,423,281
Less: cash and cash equivalents in the subsidiaries acquired	(822,627)
Cash outflow in the period	600,654

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisitions. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

35 Financial Guarantees

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	**41,086,222**	44,775,365
Guarantee in respect of borrowings of associates (note (b) and note 38(b))	**869,618**	424,095
Guarantees in respect of borrowings of joint ventures (note (c) and note 38(b))	**5,208,594**	6,244,840
Guarantees in respect of borrowings of third parties (note (d))	**1,375,775**	–
	48,540,209	51,444,300

Notes:

(a) The Group has cooperated with certain financial institutions to arrange mortgage loan facility for its purchasers of property and provided guarantees to secure obligations of such purchasers for repayments. As at 30 June 2019, the outstanding guarantees amounted to RMB41,086,222,000 (31 December 2018: RMB44,775,365,000). Such guarantees will be discharged upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by the purchasers.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interests and penalties 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 guarantees start from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of default in payments.

(b) As at 30 June 2019, subsidiaries of the Group and associate counter parties provided certain guarantees in proportion of their shareholding in certain associate in respect of loan facilities amounting to RMB2,326,000,000 (31 December 2018: RMB848,190,000). The Group's share of the guarantees amounted to RMB869,618,000 (31 December 2018: RMB424,095,000).

(c) As at 30 June 2019, several subsidiaries of the Group and joint venture counter parties provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loans amounting to RMB13,807,400,000 (31 December 2018: RMB13,779,000,000). The Group's share of the guarantees amounted to RMB5,208,594,000 (31 December 2018: RMB6,244,840,000).

(d) As at 30 June 2019, the Company provided certain guarantees to certain independent third parties in respect of loan facilities amounting to RMB1,375,775,000 (31 December 2018: nil).

36 Commitments

(a) Operating Lease Commitments

	30 June 2019	31 December 2018
Property, plant and equipment:		
— Not later than one year	–	89,534
— Later than one year and not later than five years	–	139,519
	–	229,053

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

36 Commitments (Continued)

(a) Operating Lease Commitments (Continued)

	30 June 2019	31 December 2018
Lease of areas adjacent to the property development projects:		
— Not later than one year	–	850
— Later than one year and not later than five years	–	3,850
— Later than five years	–	29,000
	–	33,700

	30 June 2019	31 December 2018
Lease of the land use right for ancillary facilities:		
— Not later than one year	–	2,131
— Later than one year and not later than five years	–	8,717
— Later than five years	–	21,969
	–	32,817

(b) Other Commitments

	30 June 2019	31 December 2018
Contracted but not provided for		
— Property development activities	**31,134,198**	29,659,316
— Acquisition of land use rights	**15,040,682**	6,311,197
— Property, plant and equipment	**1,602,812**	1,265,020
— Other intangible assets	**2,705**	3,060
	47,780,397	37,238,593

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Future Minimum Rental Payments Receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	30 June 2019	31 December 2018
No later than one year	**176,149**	216,925
Later than one year and not later than five years	**357,270**	328,756
Over five years	**189,502**	161,592
	722,921	707,273

38 Related Party Transactions

(a) Name and Relationship with Related Parties

Name	Relationship
Full Choice Investments Limited	The ultimate holding Company of the Group
Top Coast Investment Limited	The intermediate holding Company of the Group
Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam (the "Founding Shareholders")	Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (i)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i)) 中山雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Gongqingcheng Investment (note (i)) 共青城投資	Controlled by a key management personnel of the Group
Atlas (China) Co., Ltd.("Atlas (China)") (note (i)) 寰圖(中國)有限公司	Controlled by the immediate family members of the Founding Shareholders
Foshan Yaxu Real Estate Development Co., Ltd. (note (i)) 佛山雅旭房地產開發有限公司	Associate of the Group
Haimen Xinya Real Estate Development Co., Ltd. (note (i)) 海門新雅房地產開發有限公司	Associate of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(a) Name and Relationship with Related Parties (Continued)

Name	Relationship
Xinxingxian Country Garden Real Estate Development Co., Ltd. (note (i)) 新興縣碧桂園房地產開發有限公司	Associate of the Group
Nantongshi Tongzhouqu Dongju Land Co., Ltd. (note (i)) 南通市通州區東居置業有限公司	Associate of the Group
Shenzhen Longgang Area Dongjiang Industrial Waste Treatment Co., Ltd. (note (i)) 深圳市龍崗區東江工業廢物處置有限公司	Associate of the Group
Citic Guoan (Beijing) Asset Management Co., Ltd. (note (i)) 中信國安(北京)基金管理有限公司	Associate of the Group
Guangdong Yingmei Yihao Equity Investment Corporation (Limited Partnership) (note (i)) 廣東盈美壹號股權投資合夥企業(有限合夥)	Associate of the Group
Nanjing Haiyue Property Management Co., Ltd. (note (i)) 南京海玥物業管理有限公司	Associate of the Group
Guangzhou Henghao Rongzi Financial Lease Co., Ltd. (note (i)) 廣州恒浩融資租賃有限公司	Associate of the Group
Jinzhong Jintian Heyi Real Estate Development Co., Ltd. (note (i)) 晉中錦添合意房地產開發有限公司	Associate of the Group
Foshan Changzhong Real Estate Development Co., Ltd. (note (i)) 佛山市昌重房地產開發有限公司	Associate of the Group
Foshan Sanshui Qingmei Real Estate Co., Ltd. (note (i)) 佛山市三水區擎美房地產有限公司	Associate of the Group
Fuzhou Shengquan Real Estate Development Co., Ltd. (note (i)) 福州盛全房地產開發有限公司	Associate of the Group
Sichuan Yacan Real Estate Development Co., Ltd. (note (i)) 四川雅燦房地產開發有限公司	Associate of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(a) Name and Relationship with Related Parties (Continued)

Name	Relationship
Jinzhong Jinhong Yubao Real Estate Development Co., Ltd. (note (i)) 晉中市錦洪裕寶房地產開發有限責任公司	Associate of the Group
Sichuan Yaheng Real Estate Development Co., Ltd. (note (i)) 四川雅恒房地產開發有限公司	Associate of the Group
Wuxi Yahui Real Estate Development Co., Ltd. (note (i)) 無錫雅輝房地產開發有限公司	Associate of the Group
Dali Meizhao Real Estate Development Co.,Ltd. (note (i)) 大理美詔房地產開發有限公司	Associate of the Group
Handan Yurong Real Estate Development Co., Ltd. (note (i)) 邯鄲裕榮房地產開發有限公司	Associate of the Group
Oyster Point Development LLC	Associate of the Group
Guangzhou Lihe Real Estate Development Co., Ltd. (note (i)) 廣州利合房地產開發有限公司	Joint venture of the Group
Xuzhou Jiale Real Estate Development Co., Ltd. (note (i)) 徐州佳樂房地產開發有限公司	Joint venture of the Group
Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd. (note (i)) 中山市志力置業有限公司	Joint venture of the Group
Zhongshan Jucheng Enterprise Co., Ltd. (note (i)) 中山市鉅成實業有限公司	Joint venture of the Group
Zhongshan Bosheng Real Estate Development Co., Ltd. (note (i)) 中山市鉑晟房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(a) Name and Relationship with Related Parties (Continued)

Name	Relationship
Guangzhou Huadu Yazhan Realty Development Co., Ltd. (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. (note (i)) 長沙上城置業有限公司	Joint venture of the Group
Guangxi Fuya Investments Co., Ltd. (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Zhongshan Shiguang Chuangjian Zhiye Company Limited (note (i)) 中山市世光創建置業有限公司	Joint venture of the Group
Zhongshan Haide Real Estate Development Co., Ltd. (note (i)) 中山市海德房地產開發有限公司	Joint venture of the Group
Zhongshan Dongcheng Real Estate Development Company Limited (note (i)) 中山市東城實業發展有限公司	Joint venture of the Group
Zhongshan Mingtai Property Development Company Limited (note (i)) 中山市名泰房地產開發有限公司	Joint venture of the Group
Guangzhou Zhongyu Real Estate Development Co., Ltd. (note (i)) 廣州市眾譽房地產開發有限公司	Joint venture of the Group
Foshan Yazhan Property Development Co., Ltd. (note (i)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Tianjin Hean Investments Co., Ltd. (note (i)) 天津和安投資有限公司	Joint venture of the Group
Zhongshan Wenhua Real Estate Co., Ltd. (note (i)) 中山市文華房地產有限公司	Joint venture of the Group
Zhongshan Minsen Real Estate Development Co., Ltd. (note (i)) 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. (note (i)) 海南雅宏旅遊置業有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(a) Name and Relationship with Related Parties (Continued)

Name	Relationship
Hainan Yahai Travel Development Co., Ltd. (note (i)) 海南雅海旅遊發展有限公司	Joint venture of the Group
Foshan Zhongjiao Real Estate Development Co,. Ltd. (note (i)) 佛山中交房地產開發有限公司	Joint venture of the Group
Foshan Xiangsong Land Co., Ltd. (note (i)) 佛山香頌置業有限公司	Joint venture of the Group
Wuhu Yaxu Real Estate Development Co,. Ltd. (note (i)) 蕪湖雅旭房地產開發有限公司	Joint venture of the Group
Changzhou Yajing Real Estate Development Co,. Ltd. (note (i)) 常州雅勁房地產開發有限公司	Joint venture of the Group
Changzhou Jingya Real Estate Development Co,. Ltd. (note (i)) 常州勁雅房地產開發有限公司	Joint venture of the Group
Chongqing Jinbi Agile Real Estate Development Co,. Ltd. (note (i)) 重慶金碧雅居房地產開發有限公司	Joint venture of the Group
Jiangmenshi Meishun Real Estate Development Co., Ltd. (note (i)) 江門市美順房地產開發有限公司	Joint venture of the Group
Zhongshan Hehua Hotel Co,. Ltd. (note (i)) 中山市和華酒店有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Development Co., Ltd. (note (i)) 中山市盈軒房地產開發有限公司	Joint venture of the Group
Meizhou Zhongnan Yusheng Real Estate Development Co., Ltd. (note (i)) 梅州中南昱晟房地產開發有限公司	Joint venture of the Group
Jinan Junsheng Real Estate Development Co., Ltd. (note (i)) 濟南雋盛房地產開發有限公司	Joint venture of the Group
Lianyungang Ganglong Land Co., Ltd. (note (i)) 連雲港市港龍置業有限公司	Joint venture of the Group
Hefei Changzhe Real Estate Development Co., Ltd. (note (i)) 合肥昌哲房地產開發有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(a) Name and Relationship with Related Parties (Continued)

Name	Relationship
Xuzhou Chuanda Real Estate Development Co., Ltd. (note (i)) 徐州川達房地產開發有限公司	Joint venture of the Group
Xuzhou Yafeng Real Estate Development Co., Ltd. (note (i)) 徐州雅豐房地產開發有限公司	Joint venture of the Group
Changzhou Yafeng Green Construction Technology Co., Ltd. (note (i)) 常州雅豐綠色建築科技有限公司	Joint venture of the Group
Jinan Yaheng Real Estate Development Co., Ltd. (note (i)) 濟南雅恒房地產開發有限公司	Joint venture of the Group
Jinan Yajun Real Estate Development Co., Ltd. (note (i)) 濟南雅雋房地產開發有限公司	Joint venture of the Group
Tangyinxian Country Garden Real Estate Development Co., Ltd. (note (i)) 湯陰縣碧桂園房地產開發有限公司	Joint venture of the Group
Accord Wing Limited 和榮有限公司	Joint venture of the Group
Weihai Yalan Investments Development Co., Ltd. (note (i)) 威海雅藍投資開發有限公司	Joint venture of the Group
Yangzhou Zhongxing Green Construction Technology Co., Ltd. (note (i)) 揚州中興綠色建築科技有限公司	Joint venture of the Group
Xi'an Agile Enterprise Development Co., Ltd. (note (i)) 西安雅居樂實業發展有限公司	Joint venture of the Group
Xi'an Yafeng Land Co., Ltd. (note (i)) 西安雅灃置業有限公司	Joint venture of the Group
Guangzhou Yajing Huilang Real Estate Development Co., Ltd. (note (i)) 廣州雅景匯朗房地產開發有限公司	Joint venture of the Group
Guangzhou Yajingan Real Estate Development Co., Ltd. (note (i)) 廣州雅景安房地產開發有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(a) Name and Relationship with Related Parties (Continued)

Name	Relationship
Guangzhou Yasheng Henglong Investment Partnership Enterprises (Limited Partnership) (note (i)) 廣州雅晟恆隆投資合夥企業(有限合夥)	Joint venture of the Group
Xinyu Shenghui Hongyao Investment Partnership Enterprises (Limited Partnership) (note (i)) 新余晟暉鴻耀投資合夥企業(有限合夥)	Joint venture of the Group
Shenyang Yasong Real Estate Development Co., Ltd. (note (i)) 瀋陽雅頌房地產開發有限公司	Joint venture of the Group
Shenyang Agile Enterprise Management Consultation Co., Ltd. (note (i)) 瀋陽雅居樂企業管理諮詢有限公司	Joint venture of the Group
Guangzhou Yajing Investment Co., Ltd. (note (i)) 廣州雅景投資有限公司	Joint venture of the Group
Suzhou Meiju Real Estate Development Co., Ltd. (note (i)) 蘇州美居房地產開發有限公司	Joint venture of the Group
Guangzhou Hongsheng Hengju Investment Partnership Enterprises (Limited Partnership) (note (i)) 廣州鴻晟恆鉅投資合夥企業(有限合夥)	Joint venture of the Group
Huizhou Huiyang Agile Real Estate Development Co., Ltd. (note (i)) 惠州市惠陽雅居樂房地產開發有限公司	Joint venture of the Group
Chongqing Huayu Yefeng Enterprise Co., Ltd. (note (i)) 重慶華宇業豐實業有限公司	Joint venture of the Group
Tianjin Qimao Land Co., Ltd. (note (i)) 天津齊茂置業有限公司	Joint venture of the Group
Kaifeng Fenghui Land Co., Ltd. (note (i)) 開封豐輝置業有限公司	Joint venture of the Group
Longchuang A-Living Property Services Co., Ltd. (note (i)) 龍創雅生活物業服務有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(a) Name and Relationship with Related Parties (Continued)

Name	Relationship
Beijing Zhonggang International Real Estate Development Co., Ltd. (note (i)) 北京中港國際房地產開發有限公司	Joint venture of the Group
Kaifeng Guokong Songdu Land Co., Ltd. (note (i)) 開封國控宋都置業有限公司	Joint venture of the Group
Jiaxing Xingya Real Estate Development Co., Ltd. (note (i)) 嘉興興雅房地產開發有限公司	Joint venture of the Group
Xingyang Agile City Construction Co., Ltd. (note (i)) 滎陽雅居樂城市建設有限公司	Joint venture of the Group
Xingyang Agile Enterprise Co., Ltd. (note (i)) 滎陽雅居樂實業有限公司	Joint venture of the Group
Jiangxi Jianda Investment Co., Ltd. (note (i)) 江西建大投資有限公司	Joint venture of the Group
Jinzhong Xiya Real Estate Development Co., Ltd. (note (i)) 晉中熙雅房地產開發有限公司	Joint venture of the Group
Charm Talent Limited 煌迪有限公司	Joint venture of the Group
Chenzhou Agile Real Estate Development Co., Ltd. (note (i)) 郴州雅居樂房地產開發有限公司	Joint venture of the Group
Guangzhou Yajing Real Estate Development Co., Ltd. (note (i)) 廣州雅景房地產開發有限公司	Joint venture of the Group

Note:

(i) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(b) Transactions with Related Parties

For the six months ended 30 June 2019 and 2018, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Six months ended 30 June	
	2019	2018
Golf facilities service fees charged by Zhongshan Changjiang Golf Course (note (i))	**5,673**	344
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i))	**780**	1,183
Rental fees charged from Altas (China) (note (i))	**7,523**	–
	13,976	1,527

	Six months ended 30 June	
	2019	2018
Loan to related parties		
— Associates	**43,047**	472,457
— Joint ventures	**270,417**	1,864,949
	313,464	2,337,406

	Six months ended 30 June	
	2019	2018
Repayment of loans to related parties		
— Associates	**272,138**	–
— Joint ventures	**831,059**	34,200
	1,103,197	34,200

	Six months ended 30 June	
	2019	2018
Interest income from (note (ii))		
— Associates	**37,039**	3,474
— Joint ventures	**107,032**	104,791
	144,071	108,265

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(b) Transactions with Related Parties (Continued)

	Six months ended 30 June	
	2019	2018
Guarantee in respect of borrowings		
— Associates	**869,618**	455,940
— Joint ventures	**5,208,594**	5,806,600
	6,078,212	6,262,540

Key Management Compensation

Key management includes directors and heads of major operational departments. Key management compensation amounted to RMB12,649,000 for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB13,628,000).

Notes:

(i) Restaurant and hotel service fees, golf facilities service fees and rental fees 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. In the opinion of the directors of the Company, the above 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.

(ii) Interest income were charged in accordance with the terms of the loan contracts which, in the agreement of the related parties and the Group.

(c) Balances with Related Parties

As at 30 June 2019 and 31 December 2018, the Group had the following significant non-trade balances with related parties:

	30 June 2019	31 December 2018
Receivables due from (note (i))		
— Associates	**1,545,908**	2,578,743
— Joint ventures	**8,289,509**	9,676,037
— Other related parties	**199,624**	195,484
	10,035,041	12,450,264
Loan and interest receivables due from (note (ii))		
— Associates	**2,045,697**	2,701,516
— Joint ventures	**1,615,692**	3,840,425
	3,661,389	6,541,941

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Related Party Transactions (Continued)

(c) Balances with Related Parties (Continued)

	30 June 2019	31 December 2018
Payables due to (note (i))		
— Associates	**162,357**	696,674
— Joint ventures	**4,603,009**	4,789,650
— Other related parties	**102,706**	104,194
	4,868,072	5,590,518
Contract liabilities		
— Joint ventures	**8,024**	3,530

Notes:

(i) The balances are cash advances in nature, which are unsecured and interest free.

(ii) The balances are loan receivables and interest from associates and joint ventures, which are unsecured and interest bearing. The effective interest rate ranges from 4.35% to 15% per annum.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Agile Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Agile Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 126 to 240, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated 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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit and our audit procedures performed to address these key audit matters are set out as below:

Key Audit Matters	How our audit addressed the Key Audit Matters
Estimates for provision of properties under development and completed properties held for sale Refer to notes 4, 13 and 14 to the consolidated financial statements. Properties under development and completed properties held for sale amounted to RMB99,014,540,000 as at 31 December 2018, accounting for 43% of the Group's total assets. Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable values were assessed taking into account of costs to completion of properties under development, variable selling expenses based on past experience and selling price based on prevailing market conditions. Based on management's assessment, a provision of RMB1,264,729,000 for properties under development and a provision of RMB677,738,000 for completed properties held for sale were made as at 31 December 2018. We focused on this area because of the significant estimates and judgements involved in determining the selling prices, variable selling expenses and costs to completion.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion; (ii) We assessed the Group's estimates of the anticipated costs to completion for properties under development by reconciling the anticipated costs to completion to the approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of the similar type of properties in the similar location. We performed analysis on management's material cost adjustments; and (iii) We challenged management's assumptions when determining the net sales value based on prevailing market conditions by : • Researching the selling prices from the public available resources and comparing the estimated selling price to the most recent selling price for the properties under presales or the prevailing market price of the same type of properties in the same location; • Analysing the historical selling expenses to selling price ratio, assessing whether management's estimated selling expenses were within such range. We found that management's estimates for provision of properties under development and completed properties held for sale are properly supported by the available evidences.

Key Audit Matters	How our audit addressed the Key Audit Matters
Valuations of investment properties Refer to notes 4 and 9 to the consolidated financial statements. The Group's investment properties were measured at fair value of RMB8,804,220,000 as at 31 December 2018, with revaluation gains of RMB1,952,355,000 recorded as "other gains, net" in the consolidated statement of comprehensive income for the year then ended. Independent external valuations were performed for all of investment properties in order to support management's estimates. Fair values of completed investment properties are derived using income capitalisation approach or the direct comparison approach, where applicable. The fair values of investment properties under construction are prepared under residual approach. We focused on this area as the valuations included certain key assumptions that involved significant management estimates, including term yields and reversionary yields, market rents, market prices and estimated costs to completion.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties; (ii) We evaluated the independent external valuer's competence, capabilities and objectivity; (iii) We checked, on a sample basis, accuracy and relevance of the input data used in the valuation and checked the mathematical accuracy of the valuations; (iv) 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. (v) 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 properly 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 The Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee 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 HKSA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2019

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	**8,753,527**	7,573,037
Land use rights	7	**2,039,236**	2,073,655
Other intangible assets	8	**258,990**	155,278
Goodwill	8	**1,841,613**	1,303,095
Investment properties	9	**8,804,220**	5,886,604
Interests in associates	10	**951,393**	567,221
Interests in joint ventures	11	**9,136,960**	6,438,514
Available-for-sale financial assets		—	277,500
Prepayments for acquisition of equity interests	12	**870,856**	1,078,421
Properties under development	13	**16,936,396**	17,826,344
Receivables from related parties	18	**12,510,503**	6,547,559
Deferred income tax assets	27	**1,433,982**	986,760
		63,537,676	50,713,988
Current assets			
Contract assets	5	**448,715**	—
Properties under development	13	**73,631,444**	46,990,187
Completed properties held for sale	14	**8,446,700**	9,915,913
Financial assets at fair value through profit or loss	15	**3,232,031**	1,204,478
Prepayments for acquisition of land use rights	17	**5,187,072**	5,762,937
Trade and other receivables	18	**27,735,425**	16,396,483
Prepaid income taxes		**3,165,117**	2,253,557
Restricted cash	19	**9,285,376**	11,078,175
Cash and cash equivalents	20	**35,776,231**	19,041,948
		166,908,111	112,643,678
Total assets		**230,445,787**	163,357,666

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2018	2017
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	21	3,421,883	3,421,883
Shares held for Share Award Scheme	22	(156,588)	(156,588)
Other reserves	23	2,604,982	785,400
Retained earnings		35,368,931	32,284,542
		41,239,208	36,335,237
Perpetual Capital Securities	24	8,334,875	5,529,424
Non-controlling interests		5,406,850	2,311,569
Total equity		54,980,933	44,176,230
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	25	6,144	4,403
Borrowings	26	53,196,485	34,529,004
Deferred income tax liabilities	27	1,884,085	1,174,595
		55,086,714	35,708,002
Current liabilities			
Derivative financial instruments	25	7,192	240,845
Borrowings	26	35,332,872	27,146,235
Contract liabilities	5	25,489,558	—
Advanced proceeds received from customers		—	19,460,971
Trade and other payables	28	42,533,971	23,263,952
Current income tax liabilities		17,014,547	13,361,431
		120,378,140	83,473,434
Total liabilities		175,464,854	119,181,436
Total equity and liabilities		230,445,787	163,357,666

The notes on pages 134 to 240 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 126 to 240 were approved by the Board of Directors on 20 March 2019 and were signed on its behalf by:

Chen Zhuo Lin **Chan Cheuk Hung**

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2018	2017
Operation			
Revenue	5	56,144,926	51,607,059
Cost of sales	32	(31,471,009)	(30,919,581)
Gross profit		24,673,917	20,687,478
Selling and marketing costs	32	(2,318,044)	(2,258,938)
Administrative expenses	32	(2,909,554)	(2,045,528)
Net impairment (losses)/reversal on financial and contract assets	18	(97,250)	1,234
Other gains, net	29	1,986,253	40,049
Other income	30	1,040,034	570,485
Other expenses	31	(257,002)	(396,633)
Operating profit		22,118,354	16,598,147
Finance costs, net	34	(2,744,353)	(898,674)
Share of post-tax profit of associates	10	22,297	85,953
Share of post-tax profit of joint ventures	11	4,801	83,388
Profit before income tax		19,401,099	15,868,814
Income tax expenses	35	(11,043,282)	(9,088,536)
Profit for the year		8,357,817	6,780,278
Profit attributable to:			
Shareholders of the Company		7,125,007	6,025,244
Holders of Perpetual Capital Securities	24	676,906	472,663
Non-controlling interests		555,904	282,371
		8,357,817	6,780,278
Earnings per share from continuing operations attributable to shareholders of the Company for the year (expressed in Renminbi per share)			
— Basic	36	1.835	1.552
— Diluted	36	1.835	1.552

The notes on pages 134 to 240 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2018	2017
Profit for the year		**8,357,817**	6,780,278
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
— Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	6	**261,111**	—
Items that may be reclassified to profit or loss			
— Currency translation differences		**(1,303)**	(6,634)
Other comprehensive income for the year, net of tax		**259,808**	(6,634)
Total comprehensive income for the year		**8,617,625**	6,773,644
Attributable to:			
— Shareholders of the Company		**7,379,636**	6,023,307
— Holders of Perpetual Capital Securities		**676,906**	472,663
— Non-controlling interests		**561,083**	277,674
		8,617,625	6,773,644

The notes on pages 134 to 240 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital and premium (note 21)	Shares held for Share Award Scheme (note 22)	Other reserves (note 23)	Retained earnings	Total	Perpetual Capital Securities (note 24)	Non-controlling interests	Total equity
Balance at 1 January 2018	3,421,883	(156,588)	785,400	32,284,542	36,335,237	5,529,424	2,311,569	44,176,230
Comprehensive income								
Profit for the year	–	–	–	7,125,007	7,125,007	676,906	555,904	8,357,817
Other comprehensive income								
Currency translation differences	–	–	(6,482)	–	(6,482)	–	5,179	(1,303)
Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	–	–	261,111	–	261,111	–	–	261,111
Total comprehensive income	–	–	254,629	7,125,007	7,379,636	676,906	561,083	8,617,625
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 23)	–	–	124,310	(124,310)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 24)	–	–	–	–	–	(595,347)	–	(595,347)
Redemption of Perpetual Capital Securities (note 24)	–	–	–	–	–	(1,011,216)	–	(1,011,216)
Capital injection by non-controlling interests	–	–	1,462,313	–	1,462,313	–	1,737,030	3,199,343
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	988,259	988,259
Acquisition of additional interests in subsidiaries	–	–	(21,670)	–	(21,670)	–	(2,291)	(23,961)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(188,800)	(188,800)
Issuance of Perpetual Capital Securities (note 24)	–	–	–	–	–	3,735,108	–	3,735,108
Dividends (note 37)	–	–	–	(3,916,308)	(3,916,308)	–	–	(3,916,308)
Total transactions with shareholders, recognised directly in equity	–	–	1,564,953	(4,040,618)	(2,475,665)	2,128,545	2,534,198	2,187,078
Balance at 31 December 2018	3,421,883	(156,588)	2,604,982	35,368,931	41,239,208	8,334,875	5,406,850	54,980,933

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital and premium (note 21)	Shares held for Share Award Scheme (note 22)	Other reserves (note 23)	Retained earnings	Total	Perpetual Capital Securities (note 24)	Non-controlling interests	Total equity
Balance at 1 January 2017	4,290,028	(156,588)	3,092,833	28,083,330	35,309,603	5,597,503	3,248,124	44,155,230
Comprehensive income								
Profit for the year	—	—	—	6,025,244	6,025,244	472,663	282,371	6,780,278
Other comprehensive income								
Currency translation differences	—	—	(1,937)	—	(1,937)	—	(4,697)	(6,634)
Total comprehensive income	—	—	(1,937)	6,025,244	6,023,307	472,663	277,674	6,773,644
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 23)	—	—	403,461	(403,461)	—	—	—	—
Distribution to holders of Perpetual Capital Securities (note 24)	—	—	—	—	—	(478,867)	—	(478,867)
Redemption of Perpetual Capital Securities (note 24)	—	—	—	—	—	(61,875)	—	(61,875)
Dividends (note 37)	(868,145)	—	—	(1,415,468)	(2,283,613)	—	—	(2,283,613)
Effect of conversion of a subsidiary from a limit liability company into a joint stock company	—	—	5,103	(5,103)	—	—	—	—
Acquisition of additional interest in a subsidiary	—	—	(3,568,082)	—	(3,568,082)	—	(2,531,300)	(6,099,382)
Changes in ownership interests in subsidiaries without change of control	—	—	854,022	—	854,022	—	344,615	1,198,637
Non-controlling interests on acquisition of subsidiaries	—	—	—	—	—	—	972,456	972,456
Total transactions with shareholders, recognised directly in equity	(868,145)	—	(2,305,496)	(1,824,032)	(4,997,673)	(540,742)	(1,214,229)	(6,752,644)
Balance at 31 December 2017	3,421,883	(156,588)	785,400	32,284,542	36,335,237	5,529,424	2,311,569	44,176,230

The notes on page 134 to 240 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2018	2017
Cash flows from operating activities			
Cash generated from operations	38(a)	**15,224,055**	13,176,462
Interest paid		**(4,437,007)**	(3,013,912)
PRC income tax paid		**(8,159,459)**	(7,210,035)
Net cash generated from operating activities		**2,627,589**	2,952,515
Cash flows from investing activities			
Payments of construction cost of investment properties		—	(19,432)
Prepayment of land use rights for development of own used properties		**(30,522)**	—
Investments in associates and joint ventures		**(3,055,520)**	(2,097,270)
Prepayment for acquisitions of equity interests		**(829,354)**	(1,078,421)
Purchases of property, plant and equipment		**(1,118,159)**	(496,029)
Purchases of intangible assets		**(10,900)**	(22,438)
Proceed received from disposal of investment properties, land use right and property, plant and equipment		**62,903**	313,754
Payment for acquisition of subsidiaries through business combination (note 39)		**(738,352)**	(1,628,660)
Repayment of cash advances from related parties		**2,268,664**	2,553,071
Cash advances made to related parties		**(13,028,720)**	(3,860,536)
Payment to settle derivative financial instruments		**(315,339)**	(14,220)
Purchase of wealth management products		**(25,194,380)**	(2,790,000)
Redemption of wealth management products		**25,174,380**	2,790,000
Payment for acquisition of other financial assets at fair value through profit or loss		**(4,778,093)**	(1,043,613)
Proceeds from settlement of other financial assets at fair value through profit or loss		**2,770,102**	—
Advance consideration received from disposal of a subsidiary		**987,700**	—
Cash advance made to non-controlling interests		**(780,752)**	—
Dividend received		**127,685**	—
Interest received		**780,488**	433,754
Net cash used in investing activities		**(17,708,169)**	(6,960,040)

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2018	2017
Cash flows from financing activities			
Proceeds from issuance of Perpetual Capital Securities	24	3,801,370	—
Issuance cost of Perpetual Capital Securities	24	(66,262)	—
Redemption of Perpetual Capital Securities	24	(1,011,216)	(61,875)
Net proceeds from borrowings		80,172,084	44,555,587
Repayments of borrowings		(55,383,268)	(26,112,413)
Decrease/(increase) in guarantee deposit for borrowings		416,000	(1,232,000)
Cash advances from related parties		2,204,179	560,018
Repayments of cash advances to related parties		—	(260,312)
Cash advance from non-controlling interest		3,296,742	—
Repayments of cash advances from non-controlling interest		(314,330)	—
Capital contribution by non-controlling interests		3,199,343	1,198,637
Non-controlling interests on acquisition of subsidiaries		—	972,456
Acquisition of additional interests in subsidiaries		(23,961)	(6,099,382)
Distribution to holders of Perpetual Capital Securities	24	(595,347)	(478,867)
Dividends paid to shareholders of the Company		(3,916,308)	(2,283,613)
Dividends paid to non-controlling interests		(43,200)	—
Net cash generated from financing activities		31,735,826	10,758,236
Net increase in cash and cash equivalents		16,655,246	6,750,711
Cash and cash equivalents at beginning of the year		19,041,948	12,431,884
Exchange gains/(losses) on cash and cash equivalents		79,037	(140,647)
Cash and cash equivalents at end of the year	20	35,776,231	19,041,948

The notes on pages 134 to 240 form an integral part of these consolidated financial statements.

1 General Information

Agile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the "Group") are principally engaged in property development in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 15 December 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 20 March 2019.

2 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, derivative financial instruments, investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

The Group had to change its accounting policies and make certain modified retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15 (note 2.2). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRSs 2015-2017 cycle	Clarifying previously held interest in a joint operation under HKFRS3 Business Combinations and HKFRS 11 Joint Arrangements Clarifying income tax consequences of payments on financial instruments classified as equity under HKAS 12 Income Taxes Clarifying borrowing costs eligible for capitalisation under HKAS 23 Borrowing Costs	1 January 2019
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8	Amendment definition of material	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. The Group's assessment of the impact of these new standards and interpretations is set out below.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2018 and have not been early adopted (continued):

(i) HKFRS 16 Leases

Nature of change

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.

Impact

The Group has set up a project team which 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 the reporting date, the Group has non-cancellable operating lease commitments of RMB295,570,000, see note 41. Of these commitments, approximately RMB18,311,000 relate to short-term leases and RMB3,100,000 to low value leases which will both be recognised on a straight-line basis as expense in consolidated income statement.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB239,420,000 on 1 January 2019, lease liabilities of RMB264,096,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group expects that net profit after tax will decrease by approximately RMB1,296,000 for 2019 as a result of adopting the new standard.

Operating cash flows will increase and financing cash flows will decrease by approximately RMB108,503,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor is 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.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2018 and have not been early adopted: (continued)

(i) HKFRS 16 Leases (continued)

Date of adoption by group

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).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies 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 illustration of HKFRS 9 and HKFRS 15 shows the impact on financial statements. The adjustments for each line item are explained in more detail by standard below.

(b) HKFRS 9 Financial Instruments

Impact of adoption

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 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (continued)

(b) HKFRS 9 Financial Instruments (continued)

Impact of adoption (continued)

The effects of the adoption of HKFRS 9 are as follows:

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 categories. The main effect resulting from this reclassification is as follows:

	Notes	Fair value through profit or loss ("FVPL")
Closing balance at 31 December 2017 – HKAS 39		1,204,478
Reclassify investments from available-for-sale financial assets to FVPL	(i)	277,500
Opening balance at 1 January 2018 – HKFRS 9		1,481,978

(i) The amounts represent the equity interests in certain non-listed companies in the PRC. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of property development and from the provision of management services and other services.

- contract assets relating to property development.

- other financial assets at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group was required to revise its impairment methodology under HKFRS 9. The Directors of the Group consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (continued)

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies.

Impact on financial statements

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

For the year ended 31 December 2018 , the Group has assessed and considered that there is an enforceable right to payment from the customers for performance completed to date for certain properties, but the Group considered that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. For the year ended 31 December 2018, the Group has assessed and considered that the financing component effect is insignificant.

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

On 1 January 2018 (the date of initial application of HKFRS 15), the Group's management has assessed impact of HKFRS 15 and has classified each individual line item into the appropriate HKFRS 15 categories. The main effect resulting from this reclassification is as follows:

	Closing balance at 31 December 2017	Reclassification	Opening balance at 1 January 2018
Contract assets	—	194,659	**194,659**
Trade and other receivables	16,396,483	(194,659)	**16,201,824**
Contract liabilities	—	17,804,146	**17,804,146**
Advance receipts from customers	19,460,971	(19,460,971)	—
Trade and other payables	23,263,952	1,656,825	**24,920,777**

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (continued)

(c) HKFRS 15 Revenue from Contracts with Customers (continued)

Presentation of assets and liabilities related to contracts with customers

The excess of cumulative revenue recognised in consolidated income statement over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Under HKFRS 15, the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, such as sales commissions, are capitalised as contract assets.

Under HKFRS 15, contract liabilities for progress billing recognised in relation to sale of property and property management services.

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (note 2.3.3), after initially being recognised at cost.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.3 Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.12.

2.3.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.4 Changes in ownership interests (continued)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to consolidated income statement where appropriate.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated income statement.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.4 Business combinations (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in consolidated income statement.

2.5 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.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions of the Group.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other gains, net".

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.7 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Property, plant and equipment

Property, plant 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 consolidated income statement during the financial period in which they are incurred.

When there is a change of use from an investment property to an owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.8 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10-60 years
Office equipment	5-10 years
Transportation equipment	4-10 years
Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

2.9 Construction in progress

Construction in progress represents property under construction and is stated at cost less accumulated impairment loss, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction, if any. No provision for depreciation is made on construction in progress until such times as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.10 Investment property

Investment property, principally comprising land use rights 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 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, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded as "other gains, net" in the consolidated income statement.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.10 Investment property (continued)

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in and its fair value in as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

(i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in consolidated income statement.

(ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generation units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and patents

Trademarks and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives of 5–10 years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method over the expected life of 6–8 years for the customer relationship.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 10 years).

2 Summary of Significant Accounting Policies (Continued)

2.12 Impairment of non-financial assets

Goodwill that has an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Investments and other financial assets

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 consolidated income statement 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 "FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

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. 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.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (the "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 consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.13 Investments and other financial assets (continued)

Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated income statement and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement and presented net within other gains, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the consolidated income statement 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

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.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.13 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017

Classification

The Group classifies its financial assets in the following categories: loans and receivables, available for sale financial assets and financial assets at fair value through profit or loss. 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. Derivatives are also 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.

(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 Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet.

(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.

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 are initially recognised at fair value, and transaction costs are expensed in the consolidated 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.

Derivatives not designated for hedge are categorised as financial assets at fair value through profit or loss. Derivatives are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The change of fair value is recognised immediately in profit or loss within "finance costs, net".

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.13 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Recognition and measurement (continued)

When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "other gains, net".

Dividends on available-for-sale equity instruments are recognised in the consolidated 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 equity instruments classified as available for sale are recognised in other comprehensive income.

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 a 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 the 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.

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 consolidated income statement.

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 consolidated income statement.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, 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.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 counter party.

2.15 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.

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.

2.16 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction 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 the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.17 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are all classified as current.

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. See note 18 for further information about the Group's accounting for trade and other receivables and note 3.1(c) for a description of the Group's impairment policies.

2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Perpetual Capital Securities

Perpetual Capital Securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity, as described in note 24.

2.21 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.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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 the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, 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 for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax and land appreciation tax. Tax is recognised in the consolidated income statement, 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, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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, 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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. 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.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.23 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. 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 governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.24 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.

(c) 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 shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares 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 shares 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 consolidated income statement, if any, 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.

2 Summary of Significant Accounting Policies (Continued)

2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made with the Group companies. The Group recognises revenue of each activities as described below.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the purchaser. 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 purchaser;
- creates and enhances an asset that the purchaser controls as the Group performs;
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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 purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the 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. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.26 Revenue recognition (continued)

(b) Property management services and value-added services

Revenue from property management services (including property management services under commission basis or lump sum basis) and value-added services (including pre-delivery services, household assistance services, property agency services and other services) is recognised when services are rendered.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group entitles to revenue at the value of property management services fee received or receivable by the properties and recognises all related property management costs as its cost of services. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner and is arranging and monitoring the services as provided by other suppliers to the property owners, the Group entitles revenue at a pre-determined percentage of the property management fee received or receivable by the properties.

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary are recognised in the accounting period in which the services are rendered.

(d) Rental income

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

(e) Interest income

Interest income from financial assets at FVPL is included in the fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in "other income".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(f) Dividend income

Dividends are received from financial assets measured at FVPL and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.26 Revenue recognition (continued)

(g) Environmental protection income

Revenue arising from environmental protection is recognised in the accounting period in which environmental protection services are rendered.

(h) Financing 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 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) 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 consolidated income statement on a straight-line basis over the period of the lease.

(b) The Group is the lessee under operating lease of land use rights

Land use rights under operating lease, which mainly comprise land use rights to be developed for hotel properties and own used buildings, are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods.

(c) The Group is the lessor

Assets leased out under operating leases are included in investment properties in the consolidated balance sheet.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.29 Insurance contracts

An insurance contract is a contract under which one party (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.31 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC. The Group finances its operations from shareholders' fund, sales of properties, issuance of senior notes, bank and other borrowings and perpetual capital securities. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Currency risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, senior notes, bank borrowings and syndicated loans are in other currencies. As at 31 December 2018, major non-RMB assets and liabilities are cash and cash equivalents, senior notes, bank borrowings and syndicated loans denominated in HK dollar ("HK$") and US dollar ("US$"). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has entered into several forward exchange contracts to limit its exposure to foreign exchange risk during the year ended 31 December 2018.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(a) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group	
	2018	2017
Monetary assets		
— HK$	522,538	821,391
— US$	2,492,297	11,789
	3,014,835	833,180
Monetary liabilities		
— HK$	21,618,629	13,229,383
— US$	14,405,428	6,067,231
	36,024,057	19,296,614

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/(decrease) in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	Group	
	2018	2017
5% increase in RMB against HK$	1,055,467	621,031
5% decrease in RMB against HK$	(1,055,467)	(621,031)
5% increase in RMB against US$	600,441	302,791
5% decrease in RMB against US$	(600,441)	(302,791)

(b) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings, senior notes, and other borrowings at fixed rate expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest-rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(b) Interest rate risk (continued)

As at 31 December 2018 and 2017, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2018 and 2017 would increase or decrease by RMB487,634,000 and RMB346,238,000 respectively, mainly as a result of higher or lower interest expense on floating rate borrowings.

(c) Credit risk

The Group is exposed to credit risk in relation to its contract asset, 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.

For contract assets and trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counter parties.

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 individual property owner or the 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.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

(i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

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.

(ii) Contract Asset and trade and other receivables (excluding prepayments)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables. To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

As at 31 December 2018, the Group has assessed that the expected loss rate for other receivables from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognised.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

(ii) Contract Asset and trade and other receivables (excluding prepayments) (continued)

The Group uses the expected credit loss model to determine the expected loss provision for other receivables (excluding prepayments and other receivables from related parties). As at 31 December 2018, the Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

On that basis, as at 31 December 2018, the loss allowance provision for the contract assets and trade receivables was determined as follow. The expected credit losses below also incorporated forward looking information.

	Current	Up to 3 months	3 months to 1 year	1 to 2 years	Over 2 years	Total
At 31 December 2018						
Expected loss rate	—	0.10%–1%	1%–2%	5%–10%	10%–50%	
Gross carrying amount – trade receivables	6,071,782	226,542	234,262	75,578	101,398	6,709,562
Gross carrying amount – contract assets	410,921	20,209	17,964	—	—	449,094
Loss allowance – trade receivables	—	227	4,205	6,685	20,952	32,069
Loss allowance – contract assets	—	20	359	—	—	379

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

(ii) Contract Asset and trade and other receivables (excluding prepayments) (continued)

As at 31 December 2018, the loss allowance provision for trade and other receivables (excluding prepayments and other receivables from related parties) reconciles to the opening loss allowance for that provision as follows:

	Contract assets and trade receivables	Other receivables (excluding prepayments and other receivables from related parties)	Total
At 1 January 2018	7,443	1,256	8,699
Impact of acquisition of subsidiaries	16,637	2,271	18,908
Provision for loss allowance recognised in profit or loss	10,709	89,163	99,872
Unused amounts reversed	(2,341)	(281)	(2,622)
At 31 December 2018	32,448	92,409	124,857

As at 31 December 2018, the gross carrying amount of contract assets and trade and other receivables (excluding prepayments) was RMB39,452,681,000 and thus the maximum exposure to loss was RMB39,271,824,000.

(d) Liquidity risk

Management 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 and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control 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 etc. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk (continued)

The table below analyses the Group's financial liabilities maturity profile and derivative financial instruments at the balance sheet date. The amounts disclosed thereon are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2018					
Non-derivatives					
Borrowings	40,650,890	22,107,420	30,333,674	7,415,012	100,506,996
Trade and other payables(*)	36,439,895	—	—	—	36,439,895
Total non-derivatives	77,090,785	22,107,420	30,333,674	7,415,012	136,946,891
Derivatives					
Gross settled (forward foreign exchange contracts)					
— (inflow)	(99,948)	(476)	—	—	(100,424)
— outflow	107,140	6,620	—	—	113,760
	7,192	6,144	—	—	13,336
At 31 December 2017					
Non-derivatives					
Borrowings	30,698,679	15,111,362	17,661,969	7,915,696	71,387,706
Trade and other payables(*)	21,013,781	—	—	—	21,013,781
Total non-derivatives	51,712,460	15,111,362	17,661,969	7,915,696	92,401,487
Derivatives					
Gross settled (forward foreign exchange contracts)					
— (inflow)	(24,094)	(21,727)	—	—	(45,821)
— outflow	264,939	26,130	—	—	291,069
	240,845	4,403	—	—	245,248

* Excluding staff welfare benefit payable, other taxes payable and advance from disposal of a subsidiary.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(e) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at fair value through profit or loss (2017: Available-for-sale financial assets).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The majority of the Group's equity investments are publicly traded.

Sensitivity

The table below summarises the impact of increases/(decreases) of price of the stocks, which the Group purchased, on the Group's before tax profit for the period. The analysis is based on that the stock price increased by 5% and 10% respectively or decreased by 5% and 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	Impact on post tax profit	
	2018	2017
Price of each stock – increase 5%	**137,616**	60,224
Price of each stock – decrease 5%	**(137,616)**	(60,224)
Price of each stock – increase 10%	**275,231**	120,448
Price of each stock – decrease 10%	**(275,231)**	(120,448)

Post-tax profit for the year would increase/(decrease) as a result of gains/(losses) on equity securities classified as at fair value through profit or loss.

3.2 Capital risk management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any returns to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.2 Capital risk management (continued)

	2018	2017
Total borrowings (note 26)	**88,529,357**	61,675,239
Less: cash and cash equivalents (note 20)	**(35,776,231)**	(19,041,948)
restricted cash (note 19)	**(9,285,376)**	(11,078,175)
Net borrowings	**43,467,750**	31,555,116
Total equity	**54,980,933**	44,176,230
Gearing ratio	**79.1%**	71.4%

The increase in the gearing ratio during the year ended 31 December 2018 was primarily resulted from the increase in borrowings.

3.3 Fair value estimation

(i) Fair value hierarchy

At 31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
— Hong Kong listed equity securities and debt instruments	2,752,310	—	—	2,752,310
— Unlisted equity securities	—	—	459,721	459,721
— Wealth management products	—	—	20,000	20,000
Total financial assets	2,752,310	—	479,721	3,232,031
Financial liabilities				
Derivative financial instruments	—	13,336	—	13,336
Total financial liabilities	—	13,336	—	13,336

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.3 Fair value estimation (continued)

(i) Fair value hierarchy (continued)

At 31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at FVPL				
— Hong Kong listed equity securities	1,204,478	—	—	1,204,478
Available-for-sale financial assets	—	—	277,500	277,500
Total financial assets	1,204,478	—	277,500	1,481,978
Financial liabilities				
Derivative financial instruments	—	245,248	—	245,248
Total financial liabilities	—	245,248	—	245,248

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2018.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.3 Fair value estimation (continued)

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 1 and 2 except for unlisted equity securities and wealth management products explained in (iii) below.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the year ended 31 December 2018:

	31 December 2018	31 December 2017
Unlisted equity securities		
Opening balance	277,500	277,500
Additions	25,333,568	—
Gains recognised in "other gains, net"	203,033	—
Transfer to Hong Kong listed equity securities due to listing of the investee	(160,000)	—
Redemption of wealth management products	(25,174,380)	—
Closing balance	479,721	277,500

Valuation processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

(All amounts in RMB thousands unless otherwise stated)

3 Financial Risk Management (Continued)

3.3 Fair value estimation (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation processes (continued)

The valuation of the level 3 instruments included the unlisted equity securities and wealth management product (note 15) only. As the investments are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Earnings growth factor for unlisted equity securities and wealth management products: these are estimated based on market information for similar types of companies and products.

- Expected cash inflows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.

(iv) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable and payable is either close to current market rates or the instruments are short-term in nature.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

(All amounts in RMB thousands unless otherwise stated)

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (continued)

(a) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations (continued)

As at 31 December 2018, a provision for completed properties held for sale of RMB677,738,000 (2017: RMB349,126,000) and a provision for properties under development of RMB1,264,729,000 (2017: RMB103,571,000) were made. No impairment was provided for long-term asset held for hotel operation.

(b) Fair value of investment properties

The best evidence of fair value 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;

(iii) discounted cash flow 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 capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

(iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 9.

(c) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(All amounts in RMB thousands unless otherwise stated)

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (continued)

(c) Current and deferred income tax (continued)

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

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

(e) Recoverability of contract assets and trade and other receivables

The management assesses on a forward looking basis the expected credit losses associated with its contract assets and trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The allowance are applied to these contract assets and receivables 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 impairment charge in the periods in which such estimate has been changed.

As at 31 December 2018, the provision for impairment of contract asset and trade and other receivables is RMB124,857,000 (2017: RMB7,443,000).

(f) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.11, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in note 8.

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information

(a) Description of segments and principal activities

The executive directors of the Company, which are the chief operating decision-makers 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 reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into five business segments: property development, property management, hotel operations, property investment and environmental protection. The associates and joint ventures of the Group are principally engaged in property development, property management and environmental protection and are included in the property development, property management and environmental protection segment respectively. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC. Most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Analysis of revenue from external customers by the category for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Sales of developed properties	52,487,664	49,261,750
Property management services	2,132,813	1,290,148
Hotel operations	721,667	683,939
Rental income from investment properties	189,045	166,502
Environmental protection services	613,737	204,720
	56,144,926	51,607,059

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

(a) Description of segments and principal activities (continued)

Segment information provided to the executive directors of the Company for the reporting segments for the years ended 31 December 2018 and 2017 are as follows:

Year ended 31 December 2018

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Gross segment sales	52,487,664	3,376,749	721,667	189,045	613,737	–	57,388,862
Inter-segment sales	–	(1,243,936)	–	–	–	–	(1,243,936)
Sales to external customers	52,487,664	2,132,813	721,667	189,045	613,737	–	56,144,926
Timing of revenue recognition							
— At a point in time	51,668,575	4,195	–	–	–	–	51,672,770
— Over time	819,089	2,128,618	721,667	189,045	613,737	–	4,472,156
Fair value gains on investment properties (note 9)	–	–	–	1,952,355	–	–	1,952,355
Operating profit/(loss)	18,952,097	1,076,280	(127,848)	2,020,407	197,418	–	22,118,354
Share of post-tax profit of associates (note 10)	17,525	–	–	–	4,772	–	22,297
Share of post-tax (loss)/profit of joint ventures (note 11)	(23,357)	(68)	–	–	28,226	–	4,801
Segment result	18,946,265	1,076,212	(127,848)	2,020,407	230,416	–	22,145,452
Finance costs, net (note 34)							(2,744,353)
Profit before income tax							19,401,099
Income tax expenses (note 35)							(11,043,282)
Profit for the year							8,357,817
Depreciation	192,439	10,121	280,794	–	31,161	–	514,515
Amortisation of land use rights and intangible assets	16,805	23,302	48,670	–	5,177	–	93,954
Write-down of properties under development and completed properties held for sale	1,489,770	–	–	–	–	–	1,489,770

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

(a) Description of segments and principal activities (continued)

Year ended 31 December 2017

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Gross segment sales	49,261,750	1,760,753	683,939	166,502	204,720	—	52,077,664
Inter-segment sales	—	(470,605)	—	—	—	—	(470,605)
Sales to external customers	49,261,750	1,290,148	683,939	166,502	204,720	—	51,607,059
Timing of revenue recognition							
— At a point in time	49,261,750	—	—	—	—	—	49,261,750
— Over time	—	1,290,148	683,939	166,502	204,720	—	2,345,309
Fair value gains on investment properties (note 9)	—	—	—	4,376	—	—	4,376
Operating profit/(loss)	16,205,456	398,417	(57,255)	26,382	25,147	—	16,598,147
Share of post-tax profit of associates (note 10)	85,953	—	—	—	—	—	85,953
Share of post-tax profit of joint ventures (note 11)	83,388	—	—	—	—	—	83,388
Segment result	16,374,797	398,417	(57,255)	26,382	25,147	—	16,767,488
Finance costs, net (note 34)							(898,674)
Profit before income tax							15,868,814
Income tax expenses (note 35)							(9,088,536)
Profit for the year							6,780,278
Depreciation	214,840	7,354	274,497	—	7,687	—	504,378
Amortisation of land use rights and intangible assets	15,850	8,148	61,295	—	1,401	—	86,694
Write-down of completed properties held for sale	312,722	—	—	—	—	—	312,722

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

(a) Description of segments and principal activities (continued)

Segment assets and liabilities and capital expenditure as at 31 December 2018 are as follow:

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Segment assets	192,769,689	7,280,920	8,432,727	8,804,220	6,955,524	(1,628,423)	222,614,657
Unallocated assets							7,831,130
Total assets							230,445,787
Segment assets include:							
Interests in associates (note 10)	831,121	—	—	—	120,272	—	951,393
Interests in joint ventures (note 11)	8,879,241	422	—	—	257,297	—	9,136,960
Segment liabilities	59,113,638	1,558,055	3,449,498	18,839	5,511,922	(1,628,423)	68,023,529
Unallocated liabilities							107,441,325
Total liabilities							175,464,854
Capital expenditure	356,805	100,326	108,331	—	1,339,968	—	1,905,430

Segment assets and liabilities and capital expenditure as at 31 December 2017 are as follow:

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Segment assets	142,059,581	2,498,963	8,813,269	5,886,604	1,457,382	(1,802,928)	158,912,871
Unallocated assets							4,444,795
Total assets							163,357,666
Segment assets include:							
Interests in associates (note 10)	567,221	—	—	—	—	—	567,221
Interests in joint ventures (note 11)	6,438,514	—	—	—	—	—	6,438,514
Segment liabilities	38,968,256	952,375	4,174,525	33,502	399,193	(1,802,928)	42,724,923
Unallocated liabilities							76,456,513
Total liabilities							119,181,436
Capital expenditure	74,857	29,564	145,301	19,432	274,978	—	544,132

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

(a) Description of segments and principal activities (continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2018 as follows:

	Assets	Liabilities
Segment assets/liabilities	222,614,657	68,023,529
Unallocated:		
Deferred income taxes	1,433,982	1,884,085
Prepaid income taxes	3,165,117	—
Financial assets at fair value through profit or loss	3,232,031	—
Derivative financial instruments	—	13,336
Current income tax liabilities	—	17,014,547
Current borrowings	—	35,332,872
Non-current borrowings	—	53,196,485
Total	230,445,787	175,464,854

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2017 as follows:

	Assets	Liabilities
Segment assets/liabilities	158,912,871	42,724,923
Unallocated:		
Deferred income taxes	986,760	1,174,595
Prepaid income taxes	2,253,557	—
Financial assets at fair value through profit or loss	1,204,478	—
Derivative financial instruments	—	245,248
Current income tax liabilities	—	13,361,431
Current borrowings	—	27,146,235
Non-current borrowings	—	34,529,004
Total	163,357,666	119,181,436

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December 2018
Current contract assets relating to properties sale contracts	449,094
Loss allowance	(379)
Total contract assets	448,715

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties, receivables and cash balances. Unallocated assets comprise deferred tax assets, prepaid income taxes and financial assets at fair value through profit or loss. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, land use rights for self-owned properties, investment properties and intangible assets.

(c) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December 2018
Contract liabilities	
— Related parties (note 43(c))	3,530
— Third parties	25,486,028
	25,489,558

(All amounts in RMB thousands unless otherwise stated)

5 Segment Information (Continued)

(c) Contract liabilities (continued)

(i) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

Revenue recognised that was included in the balance of contract liabilities at the beginning of the 2018	
Sales of properties	13,971,386
Property management services	246,443
Value-added services	10,201
	14,228,030

(iii) Unsatisfied performance obligations

For sales of properties, the Group recognises revenue when or as the control of the asset is transferred to the purchaser. 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. 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, the transaction price allocated to these unsatisfied contracts is not disclosed as permitted by HKFRS15.

For property management services and part of value-added services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management services contracts do not have a fixed term.

For value-added services related to property management, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

(d) Assets recognised from incremental costs to obtain a contract

During the year ended 31 December 2018, there was no significant incremental costs to obtain a contract.

(All amounts in RMB thousands unless otherwise stated)

6 Property, Plant and Equipment

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
At 1 January 2017						
Cost	7,043,062	183,730	165,541	214,659	1,366,213	8,973,205
Accumulated depreciation	(1,262,212)	(134,747)	(143,265)	(123,834)	—	(1,664,058)
Net book amount	5,780,850	48,983	22,276	90,825	1,366,213	7,309,147
Year ended 31 December 2017						
Opening net book amount	5,780,850	48,983	22,276	90,825	1,366,213	7,309,147
Additions	220,581	6,824	35,745	35,854	203,723	502,727
Acquisition of subsidiaries	28,039	1,055	1,510	60,532	—	91,136
Transfer from investment properties (note 9)	247,557	—	—	—	—	247,557
Transfer to properties under development	(465)	—	—	—	—	(465)
Disposals	(61,935)	(472)	(569)	(8,820)	(891)	(72,687)
Depreciation	(438,683)	(22,073)	(26,056)	(17,566)	—	(504,378)
Closing net book amount	5,775,944	34,317	32,906	160,825	1,569,045	7,573,037
At 31 December 2017						
Cost	7,412,424	185,215	200,852	300,402	1,569,045	9,667,938
Accumulated depreciation	(1,636,480)	(150,898)	(167,946)	(139,577)	—	(2,094,901)
Net book amount	5,775,944	34,317	32,906	160,825	1,569,045	7,573,037
Year ended 31 December 2018						
Opening net book amount	5,775,944	34,317	32,906	160,825	1,569,045	7,573,037
Additions	36,033	239,630	57,999	17,358	772,550	1,123,570
Revaluation surplus (note 6(c))	348,148	–	–	–	–	348,148
Acquisition of subsidiaries (note 39)	23,759	9,199	2,005	8,851	480,928	524,742
Transfer from completed construction projects	124,784	214	569	13,800	(139,367)	–
Transfer from investment properties (note 9)	176,920	–	–	–	–	176,920
Transfer to investment properties (note 6(c))	(400,528)	–	–	–	–	(400,528)
Transfer to properties under development	(51,623)	–	–	–	–	(51,623)
Disposals	(15,906)	(3,616)	(2,186)	(3,918)	(598)	(26,224)
Depreciation	(437,207)	(34,444)	(23,798)	(19,066)	–	(514,515)
Closing net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
At 31 December 2018						
Cost	7,659,764	403,640	186,691	327,396	2,682,558	11,260,049
Accumulated depreciation	(2,079,440)	(158,340)	(119,196)	(149,546)	–	(2,506,522)
Net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527

(All amounts in RMB thousands unless otherwise stated)

6 Property, Plant and Equipment (Continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	2018	2017
Cost of sales	363,308	349,111
Selling and marketing costs	37,552	36,231
Administrative expenses	113,655	119,036
	514,515	504,378

Notes:

(a) As at 31 December 2018, buildings of RMB2,527,699,000 (2017: RMB2,713,839,000) were pledged as collateral for the Group's borrowings (note 26).

(b) During the year ended 31 December 2018, the Group has capitalised borrowing costs amounting to RMB5,435,000 (2017: RMB4,231,000) on property, plant and equipment. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 7.27% (2017: 6.20%).

(c) Certain property, plant and equipment of RMB400,528,000 and land use right of RMB23,073,000 were transferred to investment property on the inception of operating lease with a revaluation surplus of RMB348,148,000 on the date transferred, which the corresponding revaluation surplus net of tax were recorded in other comprehensive income and consolidated balance sheet respectively of RMB261,111,000 and the deferred tax liabilities of RMB87,037,000.

(d) Buildings mainly represent the office buildings and hotel buildings. Constructions in progress mainly represent construction costs and other costs incurred for the construction of environmental factories and equipment.

(All amounts in RMB thousands unless otherwise stated)

7 Land Use Rights

	2018	2017
At 1 January	**2,073,655**	2,029,966
Addition	**30,522**	—
Acquisition of subsidiaries (note 39)	**90,586**	81,713
Transfer (to)/from properties under development (note (b))	**(57,449)**	72,346
Transfer to investment properties (note 9, note 6(c))	**(23,073)**	—
Disposal	**(13,349)**	(41,193)
Amortisation		
— Capitalised in construction in progress	**(5,411)**	(6,233)
— Recognised as cost of sales (note 32)	**(41,222)**	(41,291)
— Recognised as expenses (note 32)	**(15,023)**	(21,653)
	2,039,236	2,073,655

Notes:

(a) Land use rights comprise cost of acquiring usage rights of certain land, which are located in the PRC, held on leases of over 40 years, and mainly for hotel properties or self-used buildings over fixed periods.

(b) During the year ended 31 December 2018, certain own used land use rights with carrying value of RMB57,449,000 were reclassified to properties under developments as a result of change in development plan (2017: RMB72,346,000 were reclassified from properties under developments to own used land use rights).

(c) As at 31 December 2018, land use rights of RMB1,285,839,000 (2017: RMB1,455,257,000 were pledged as collateral for the Group's borrowings (note 26).

(All amounts in RMB thousands unless otherwise stated)

8 Intangible Assets

	Construction license	Computer software	Patent and trademarks	Customer relationship	Subtotal	Goodwill (note b)	Total
At 1 January 2017							
Cost	27,274	113,910	—	—	141,184	—	141,184
Accumulated amortisation	(27,274)	(58,553)	—	—	(85,827)	—	(85,827)
Net book amount	—	55,357	—	—	55,357	—	55,357
Year ended 31 December 2017							
Opening net book amount	—	55,357	—	—	55,357	—	55,357
Additions	—	22,438	—	—	22,438	—	22,438
Acquisition of subsidiaries (note(c))	—	—	18,000	77,000	95,000	1,303,095	1,398,095
Amortisation (note(a))	—	(10,904)	(1,800)	(4,813)	(17,517)	—	(17,517)
Closing net book amount	—	66,891	16,200	72,187	155,278	1,303,095	1,458,373
At 31 December 2017							
Cost	27,274	136,348	18,000	77,000	258,622	1,303,095	1,561,717
Accumulated amortisation	(27,274)	(69,457)	(1,800)	(4,813)	(103,344)	—	(103,344)
Net book amount	—	66,891	16,200	72,187	155,278	1,303,095	1,458,373
Year ended 31 December 2018							
Opening net book amount	–	66,891	16,200	72,187	155,278	1,303,095	1,458,373
Additions	–	10,900	–	–	10,900	–	10,900
Acquisition of subsidiaries (note (c), note 39)	–	6,169	52,081	66,860	125,110	538,518	663,628
Amortisation (note(a))	–	(11,364)	(4,293)	(16,641)	(32,298)	–	(32,298)
Closing net book amount	–	72,596	63,988	122,406	258,990	1,841,613	2,100,603
At 31 December 2018							
Cost	27,274	153,417	70,081	143,860	394,632	1,841,613	2,236,245
Accumulated amortisation	(27,274)	(80,821)	(6,093)	(21,454)	(135,642)	–	(135,642)
Net book amount	–	72,596	63,988	122,406	258,990	1,841,613	2,100,603

(All amounts in RMB thousands unless otherwise stated)

8 Intangible Assets (Continued)

Notes:

(a) Amortisation expenses were charged to the following categories in the consolidated income statement:

	2018	2017
Cost of sales	19,395	7,157
Selling and marketing costs	817	757
Administrative expenses	12,086	9,603
	32,298	17,517

(b) The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill as at 31 December 2018 was comprised of the followings:

	2018	2017
Goodwill arising from acquisition of property management companies (note 39)	1,045,362	918,967
Goodwill arising from acquisition of environmental protection companies (note 39)	688,734	384,128
Goodwill arising from other acquisitions (note 39)	107,517	—
	1,841,613	1,303,095

(c) Intangible assets through acquisition of subsidiaries

An independent valuation was performed by an independent valuer to determine the amount of the trademarks and customer relationship. Methods and key assumptions in determining the fair value of trademarks and customer relationship as at acquisition date are disclosed as follows:

	Valuation technique	**Discount rate**	**Expected life of the intangible assets as at 31 December 2018**
Trademarks	Discounted cash flow	19.8%	10 years
Customer relationship	Discounted cash flow	18.3–19.8%	6 or 8 years

As at 31 December 2018, the Company completed its acquisitions of the equity interests in property management companies, environmental protection companies and others at the consideration of RMB212,533,000, RMB766,850,000 and RMB214,800,000 respectively (note 39).

As at 31 December 2018, management performed an impairment assessment on the goodwill and other intangible assets. The recoverable amounts have been determined based on value-in-use calculation. The calculation used cash flow projections on financial budgets covering a five-year period for property management companies, environmental protection companies and others and a six-year period for one of property management companies approved by management.

Management extended the five-year projection for additional one year projection of a property management company based on the consideration that during 2019 to 2023, a significant increment in projected revenue is attributable to the significant incremental gross floor area according to the investment cooperation framework agreement with a third party. Management considered that before the projections move into a long term stable period, such momentum of revenue growth during 2019 to 2023 will continue for another one year after 2023.

The recoverable amounts of the property management companies have been assessed by an independent valuer.

(All amounts in RMB thousands unless otherwise stated)

8 Intangible Assets (Continued)

Notes: (Continued)

(c) Intangible assets through acquisition of subsidiaries (Continued)

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2018:

	Property management companies	**Environmental protection companies**	**Others**
Revenue 2019 (% annual growth rate)	28%–101%	8%–89%	11%–36%
Revenue 2020 (% annual growth rate)	11%–86%	6%–68%	7%–25%
Revenue — 2021 to 2023 (% annual growth rate)	5%–49%	5%–30%	6%–20%
Revenue 2024 (% annual growth rate)	3%–9%	3%	3%
Gross margin (% of revenue)	22%–30%	20%–79%	13%–16%
Long-term growth rate	3%	3%	3%
Pre-tax discount rate	19.9%–20.6%	16%	20%

As at 31 December 2018, the recoverable amount of RMB1,695 million of the property management business calculated based on value-in-use exceeded its carrying value of RMB1,525 million by RMB170 million. A 2.64–5.68% decrease in estimated annual revenue growth rate, a 0.93%–2.23% decrease in estimated gross margin, a 2.74% decrease in estimated long term growth rate or a 2.44%–8.05% increase in estimated pre-tax discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom.

There are no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in the environmental protection and other companies.

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2018, the directors of the Group determined that no impairment provision on goodwill and other intangible assets was required as at 31 December 2018.

9 Investment Properties

	2018	2017
Opening net book amount	5,886,604	6,326,943
Capitalised subsequent expenditure	—	19,432
Disposals	—	(216,590)
Transfer from completed properties held for sale (note (h))	718,580	—
Transfer from property, plant and equipment (note 6(c))	400,528	—
Transfer from land use rights (note 6(c))	23,073	—
Transfer to property, plant and equipment (note (i))	(176,920)	(247,557)
Revaluation gains recognised in consolidated income statement	1,952,355	4,376
Closing net book amount	8,804,220	5,886,604
Investment properties:		
— Completed investment properties	7,550,320	5,886,604
— Investment properties under construction	1,253,900	—
Total	8,804,220	5,886,604

(All amounts in RMB thousands unless otherwise stated)

9 Investment Properties (Continued)

Notes:

(a) The investment properties are located in the PRC and are held on lease of between 40 to 70 years.

(b) Amounts recognised in the consolidated income statement for investment properties:

	2018	2017
Rental income	189,045	166,502
Direct operating expenses of investment properties that generated rental income	(95,396)	(73,206)
Direct operating expenses of investment properties that did not generate rental income	(25,598)	(24,403)
	68,051	68,893

As at 31 December 2018, the Group had no unprovided contractual obligations for future repairs and maintenance (2017: nil).

(c) Fair value hierarchy

As at 31 December 2018 and 2017, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2018 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the executive directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Valuation techniques

Fair values of completed commercial properties and commercial property under development are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers, view of recent lettings, within the subject properties and other comparable properties.

(All amounts in RMB thousands unless otherwise stated)

9 Investment Properties (Continued)

Notes (continued):

(d) Valuation processes of the Group (continued)

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

(e) Valuation techniques

	Description	Location	Fair value as at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	7,301,120	Income capitalisation	Term yields	4%
					Reversionary yields	4%–7%
					Market rents (RMB/ square meter/month)	30–972
	Car park	PRC	249,200	Direct comparison method	Market price (RMB/square meter)	3,327–8,407
Investment properties under construction	Retail shop	PRC	1,253,900	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/ square meter/month)	41–197
					Reversionary yields	5%
					Discount rate	6%

	Description	Location	Fair value as at 31 December 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	5,649,864	Income capitalisation	Term yields	4%–7.25%
					Reversionary yields	4.5%–8%
					Market rents (RMB/ square meter/month)	35–1,000
	Car park	PRC	236,740	Direct comparison method	Market price (RMB/square meter)	3,161–7,987

There are inter-relationships between unobservable inputs.

For office and retail, increase in term yields and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

For investment properties under construction, increase in budgeted construction costs to be incurred may result in decrease in fair value. Increase in revisionary yields and discount rate may result in decrease of fair value. Increase in market rent may result in increase of fair value.

There are no changes to the valuation technique during the year ended 31 December 2018.

(All amounts in RMB thousands unless otherwise stated)

9 Investment Properties (Continued)

Note (continued):

(f) Investment properties pledged as security

As at 31 December 2018, investment properties of RMB5,854,120,000 (2017: RMB4,593,324,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings (note 26).

(g) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 42.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

(h) During the year ended 31 December 2018, certain retail shops was transfer from the completed properties held for sale to investment properties.

(i) During the year ended 31 December 2018, certain floor areas of office buildings were transferred from investment properties to property, plant and equipment as the Group started to occupy such areas as office.

10 Interests in Associates

The directors of the Group consider that none of the associates as at 31 December 2018 and 31 December 2017 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

The movement of the interests in associates during the year is as follows:

	2018	2017
Balance as at 1 January	567,221	114,461
Addition	361,875	366,807
Share of post-tax profit of associates	22,297	85,953
Balance as at 31 December	951,393	567,221

The associates are accounted for using the equity method. The directors consider there are no individually material associates. The aggregate amounts of the Group's shares of the associates are as follows:

	2018	2017
Gains from continuing operations	22,297	85,953
Total comprehensive income	22,297	85,953

As at 31 December 2018, the Group's shares of losses of certain associates exceeds its interests in the underlying entities, and the unrecognised share of losses of the associates amounted to RMB3,362,000 (31 December 2017: nil).

The contingent liabilities relating to the Group's interest in the associates are disclosed in note 40. There is no commitment relating to the Group's interests in the associates.

(All amounts in RMB thousands unless otherwise stated)

11 Interests in Joint Ventures

The directors of the Group consider that none of the joint ventures as at 31 December 2018 and 31 December 2017 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

The movement of the interest in joint ventures is as follows:

	2018	2017
Balance as at 1 January	6,438,514	4,624,663
Addition	2,693,645	1,730,463
Share of post-tax profit of joint ventures	4,801	83,388
Balance as at 31 December	9,136,960	6,438,514

The joint ventures are accounted for using the equity method. The Directors consider there are no individually material joint ventures. The aggregate amounts of the Group's shares of the joint ventures are as follows:

	2018	2017
Gains from continuing operations	4,801	83,388
Total comprehensive income	4,801	83,388

As at 31 December 2018, the Group's shares of lossers of certains joint ventures exceeds its interest in the underlying entities, and the unrecognised share of losses of the joint ventures amounted to RMB189,920,000 (31 December 2017: RMB61,481,000).

The contingent liabilities relating to the Group's interests in the joint ventures are disclosed in note 40. There is no commitment relating to the Group's interests in the joint ventures.

12 Prepayments for Acquisition of Equity Interests

The amounts represent the prepayments for acquisition of equity interests in certain unlisted companies from several third parties, which are non-refundable.

(All amounts in RMB thousands unless otherwise stated)

13 Properties under Development

	2018	2017
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	**73,631,444**	46,990,187
— Beyond one operating cycle included under non-current assets	**16,936,396**	17,826,344
	90,567,840	64,816,531
Properties under development comprise:		
— Construction costs and capitalised expenditures	**16,668,090**	14,639,021
— Capitalised interests	**4,919,100**	3,517,374
— Land use rights	**68,980,650**	46,660,136
	90,567,840	64,816,531

Most of the Group’s properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings is 7.27% for the year ended 31 December 2018 (2017: 6.20%).

As at 31 December 2018, a provision of RMB1,264,729,000 was made to write down the properties under development (31 December 2017: RMB103,571,000).

As at 31 December 2018, land use rights included in the properties under development with net book value of RMB38,935,943,000 (2017: RMB14,498,817,000) were pledged as collateral for the Group’s borrowings (note 26).

14 Completed Properties Held for Sale

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2018, a provision of RMB677,738,000 was made to write down the completed properties held for sale (31 December 2017: RMB349,126,000).

As at 31 December 2018, completed properties held for sale of approximately RMB94,341,000 (2017: RMB64,491,000) were pledged as collateral for the Group’s bank borrowings (note 26).

(All amounts in RMB thousands unless otherwise stated)

15 Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2018	2017
Current assets		
Hong Kong listed equity securities and debt instruments	2,752,310	1,204,478
Unlisted equity securities	459,721	—
Wealth management products	20,000	—
	3,232,031	1,204,478

Notes:

(a) Amounts recognised in profit or loss

Decreases in fair values of financial assets at fair value through profit or loss amounting to RMB352,434,000 are recorded as "other gains, net" (note 29) in consolidated financial statements.

(b) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 3.1(e). For information about the methods and assumptions used in determining fair value, please refer to note 3.3.

16 Financial Instruments by Category

Assets as per consolidated balance sheet

	2018	2017
Assets at amortised cost (2017: loan and receivables)		
Trade and other receivables excluding prepaid value added taxes and other taxes and prepayments	38,879,109	21,911,471
Restricted cash	9,285,376	11,078,175
Cash and cash equivalents	35,776,231	19,041,948
	83,940,716	52,031,594
Assets at fair value through profit or loss		
Available-for-sale financial assets	—	277,500
Financial assets at fair value through profit or loss	3,232,031	1,204,478
Total	87,172,747	53,513,572

(All amounts in RMB thousands unless otherwise stated)

16 Financial Instruments by Category (Continued)

Liabilities as per consolidated balance sheet

	2018	2017
Other financial liabilities at amortised cost		
Borrowings	88,529,357	61,675,239
Trade and other payables and accruals, excluding staff welfare benefit payable and other taxes payable	36,439,895	21,013,781
	124,969,252	82,689,020
Liabilities at fair value through profit or loss		
Derivative financial instruments	13,336	245,248
Total	124,982,588	82,934,268

17 Prepayments for Acquisition of Land Use Rights

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

18 Trade and Other Receivables

	2018	2017
Trade receivables (note (a))	6,709,562	6,664,759
Less: allowance for impairment of trade receivables (note 3.1(c))	(32,069)	(7,443)
Total trade receivables	6,677,493	6,657,316
Other receivables due from:		
— Associates (note 43(c))	5,280,259	2,625,524
— Joint ventures (note 43(c))	13,516,462	5,416,625
— Other related parties (note 43(c))	195,484	190,000
— Amounts due from non-controlling interests	1,272,542	637,390
— Third parties	10,911,505	5,161,860
Prepaid value added taxes and other taxes	887,133	657,806
Deposits for acquisition of land use rights	1,117,773	1,224,012
Prepayments	479,686	374,765
Less: allowance for impairment of other receivables (note 3.1(c))	(92,409)	(1,256)
Total other receivables	33,568,435	16,286,726
Less: other receivables due from related parties - non-current portion	(12,510,503)	(6,547,559)
Other receivables — current portion	21,057,932	9,739,167
Trade and other receivables — current portion	27,735,425	16,396,483

As at 31 December 2018, the fair value of trade and other receivables approximated their carrying amounts.

(All amounts in RMB thousands unless otherwise stated)

18 Trade and Other Receivables (Continued)

Notes:

(a) Trade receivables mainly arose from sales of properties and provision of property management services. Trade receivables are settled in accordance with the terms stipulated in the property sale and purchase agreements or property management service agreements. As at 31 December 2018 and 2017, the ageing analysis of the trade receivables based on invoice date is as follows:

	2018	2017
Within 90 days	3,662,447	4,268,721
Over 90 days and within 365 days	2,350,270	2,231,705
Over 365 days	696,845	164,333
	6,709,562	6,664,759

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB32,069,000 was made against the gross amounts of trade receivables (2017: RMB7,443,000) (note 3.1(c)).

As at 31 December 2018, trade receivable of approximately RMB1,519,914,000 (31 December 2017: RMB1,550,932,000) were pledged as collateral for Group's bank borrowings (note 26(c).

(b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

19 Restricted Cash

As at 31 December 2018 and 2017, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC Group entities' RMB denominated bank 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.

As at 31 December 2018 and 2017, restricted cash is mainly comprised of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

(All amounts in RMB thousands unless otherwise stated)

20 Cash and Cash Equivalents

	2018	2017
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	33,936,231	19,021,778
Short-term bank deposits	1,840,000	20,170
	35,776,231	19,041,948
Denominated in RMB (note (a))	33,061,738	18,092,478
Denominated in other currencies	2,714,493	949,470
	35,776,231	19,041,948

Notes:

(a) The conversion of the PRC Group entities' RMB denominated bank 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.

21 Share Capital and Premium

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at 31 December 2018 and 2017	10,000,000,000	1,000,000			
Movements of issued and fully paid share capital					
Year ended 31 December 2017					
At 1 January 2017	3,917,047,500	391,705	400,253	3,889,775	4,290,028
Dividends	—	—	—	(868,145)	(868,145)
At 31 December 2017	3,917,047,500	391,705	400,253	3,021,630	3,421,883
Year ended 31 December 2018	**3,917,047,500**	**391,705**	**400,253**	**3,021,630**	**3,421,883**

(All amounts in RMB thousands unless otherwise stated)

22 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30% and second 30% Awarded Shares lapsed effective from 26 August 2015 and 23 August 2016 respectively. Following the confirmation that relevant vesting conditions have not been satisfied on 20 June 2017, the Board resolved in its meeting held on 28 August 2017 that the award of the remaining 40% Awarded Shares lapsed effective from 28 August 2017. The lasped shares hold in Share Award Scheme will not be cancelled. As at 31 December 2018, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (2017: RMB156,588,000), which was presented within equity in the consolidated balance sheet. For the year ended 31 December 2018, no expenses in relation to the Share Award Scheme were recognised in the consolidated income statement as the performance condition were not fulfilled and no awarded shares were vested (2017: nil).

(All amounts in RMB thousands unless otherwise stated)

23 Other Reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Revaluation surplus	Effect of conversion of a subsidiary from a limit liability company into a joint stock company	Transaction with non-controlling interests	Capital injection by non-controlling interests (note (c))	Translation reserve	Total
Balance at 1 January 2017	442,395	2,622,739	21,337	—	—	—	6,362	3,092,833
Transfer from retained earnings	—	403,461	—	—	—	—	—	403,461
Capital injection by non-controlling interests	—	—	—	—	—	854,022	—	854,022
Effect of conversion of a subsidiary from a limit liability company into a joint stock company	—	—	—	5,103	—	—	—	5,103
Transaction with non-controlling interests	—	—	—	—	(3,568,082)	—	—	(3,568,082)
Currency translation difference	—	—	—	—	—	—	(1,937)	(1,937)
Balance as at 31 December 2017	442,395	3,026,200	21,337	5,103	(3,568,082)	854,022	4,425	785,400
Balance at 1 January 2018	442,395	3,026,200	21,337	5,103	(3,568,082)	854,022	4,425	785,400
Transfer from retained earnings	–	124,310	–	–	–	–	–	124,310
Capital injection by non-controlling interests	–	–	–	–	–	1,462,313	–	1,462,313
Transaction with non-controlling interests	–	–	–	–	(21,670)	–	–	(21,670)
Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	–	–	261,111	–	–	–	–	261,111
Currency translation difference	–	–	–	–	–	–	(6,482)	(6,482)
Balance as at 31 December 2018	442,395	3,150,510	282,448	5,103	(3,589,752)	2,316,335	(2,057)	2,604,982

(All amounts in RMB thousands unless otherwise stated)

23 Other Reserves (Continued)

Notes:

(a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on Hong Kong Stock Exchange.

(b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC subsidiaries.

(c) A subsidiary of the Group, Agile A-Living Services Co., Ltd. ("A-Living") issued 333,334,000 H shares at a nominal value of RMB1.00 per share ("A-Living's New Issue"). Such shares were offered at HK$12.3 per share and listed on the Main Board of Hong Kong Stock Exchange on 9 February 2018. Net proceeds from A-Living's New Issue amounted to RMB3,199,343,000. The Company's equity interest in A-Living was diluted from 72% to 54% as a result of A-Living's New Issue and A-Living is still the subsidiary of the Company after its listing. The difference between the net proceeds from A-Living's New Issue and the carrying amount of the diluted net assets of RMB1,462,313,000 was recorded as a credit to the other reserves.

24 Perpetual Capital Securities

On 18 January 2013, the Company issued subordinated perpetual capital securities (the "2013 Perpetual Capital Securities") with the aggregate principal amount of US$700,000,000. Net proceeds after deducting the issuance cost amounted to US$687,432,500 (equivalent to approximately RMB4,321,938,000). The 2013 Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2013 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2013 Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

On 27 July 2016, a subsidiary of the Company issued another PRC perpetual capital securities (the "2016 Perpetual Capital Securities") with the aggregate principal amount of RMB1,100,000,000. Net proceeds after deducting the issuance cost amounted to RMB1,093,716,000. The 2016 Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2016 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the subsidiary shall make distribution to the holders of 2016 Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

On 27 March 2018, the Company issued senior perpetual capital securities with the aggregate principal amount of US$500,000,000. Net proceeds of the perpetual capital securities (the "2018 Perpetual Capital Securities I") after deducting the issuance cost amounted to US$491,539,000 (equivalent to approximately RMB3,107,957,000). The 2018 Perpetual Capital Securities I do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2018 Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2018 Perpetual Capital Securities I at the distribution rate as defined in the subscription agreement.

(All amounts in RMB thousands unless otherwise stated)

24 Perpetual Capital Securities (Continued)

On 21 June 2018, the Company issued senior perpetual capital securities (the "2018 Perpetual Capital Securities II") with the principal amount of US$100,000,000. Net proceeds after deducting the issuance cost amounted to US$98,005,000 (equivalent to approximately RMB627,151,000). The 2018 Perpetual Capital Securities II do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2018 Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2018 Perpetual Capital Securities II at the distribution rate as defined in the subscription agreement.

Movement of the Perpetual Capital Securities is as follows:

	Principal	Distribution	Total
Balance as at 1 January 2017	5,395,029	202,474	5,597,503
Profit attributable to holders of Perpetual Capital Securities	—	472,663	472,663
Distribution made to holders of Perpetual Capital Securities	—	(478,867)	(478,867)
Redemption of Perpetual Capital Securities	(61,875)	—	(61,875)
Balance as at 31 December 2017	5,333,154	196,270	5,529,424
Balance as at 1 January 2018	**5,333,154**	**196,270**	**5,529,424**
Issuance of Perpetual Capital Securities	**3,735,108**	**—**	**3,735,108**
Profit attributable to holders of Perpetual Capital Securities	**—**	**676,906**	**676,906**
Distribution made to holders of Perpetual Capital Securities	**—**	**(595,347)**	**(595,347)**
Redemption of Perpetual Capital Securities (note (a))	**(1,011,216)**	**—**	**(1,011,216)**
Balance as at 31 December 2018	**8,057,046**	**277,829**	**8,334,875**

Note:

(a) On 29 June 2018, the Company redeemed all remaining portion of the outstanding 2016 Perpetual Capital Securities at a redemption price of RMB1,011,216,000. No redemption premium was recognised in the consolidated income statement.

25 Derivative Financial Instruments

As at 31 December 2018, the Group had the following derivative financial instruments:

	2018	2017
Non-current portion:		
— Forward foreign exchange contracts	**6,144**	4,403
Current portion:		
— Forward foreign exchange contracts	**7,192**	240,845

(All amounts in RMB thousands unless otherwise stated)

25 Derivative Financial Instruments (Continued)

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2018 were US$3,200,000,000, approximating to RMB21,962,240,000 in total (2017: US$1,535,000,000 and HK$3,700,000,000, approximating to RMB13,122,827,000).

During the year ended 31 December 2018, decrease in fair value of derivative financial instruments of RMB98,068,000 have been recorded in "finance cost, net" in the consolidated income statement (note 34).

26 Borrowings

	2018	2017
Borrowings included in non-current liabilities:		
Senior notes (note (a))		
— Senior notes issued in 2015 ("2015 Senior notes") (note (a)(i))	3,404,973	3,230,937
— Senior notes issued in 2017 ("2017 Senior notes") (note (a)(ii))	1,353,991	1,283,972
— Senior notes issued in 2018 ("2018 Senior notes I") (note (a)(iii))	4,082,123	—
— Senior notes issued in 2018 ("2018 Senior notes II") (note (a)(iv))	2,710,393	—
PRC corporate bonds (note (b))	8,556,251	11,753,036
Commercial mortgage backup securities (note (d))	4,073,272	—
Asset-backed securities (note (c))	1,054,866	1,053,952
Long-term syndicated loans		
— secured (note (e))	16,569,611	5,586,375
— unsecured (note (f))	3,189,536	5,530,541
Long-term bank borrowings		
— secured (note (e))	19,355,402	15,673,475
— unsecured (note (f))	7,702,072	4,165,852
Other borrowings		
— secured (note (e))	5,520,670	4,957,000
— unsecured (note (f))	1,002,295	1,001,250
Less: current portion of non-current borrowings	(25,378,970)	(19,707,386)
	53,196,485	34,529,004
Borrowings included in current liabilities:		
Short-term bank borrowings		
— secured (note (e))	1,778,944	2,666,301
— unsecured (note (f))	1,196,538	—
Short-term other borrowings		
— secured (note (e))	5,974,120	2,100,000
— unsecured (note (f))	1,004,300	2,672,548
Current portion of non-current borrowings	25,378,970	19,707,386
	35,332,872	27,146,235
Total borrowings	88,529,357	61,675,239

(All amounts in RMB thousands unless otherwise stated)

26 Borrowings (Continued)

Notes:

(a) **Senior notes**

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB4,026,301,000 as at 31 December 2018 (2017: RMB1,866,549,000).

(i) 2015 Senior Notes

On 21 May 2015, the Company issued 9% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,056,850,000) at 99.507% of the face value. The net proceeds, after deducting the issuance costs, amounted to US$490,391,000 (equivalent to approximately RMB2,998,104,000). The 2015 Senior Notes will mature on 21 May 2020. The Company, at its option, can redeem all or a portion of the 2015 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(ii) 2017 Senior Notes

On 14 August 2017, the Company issued 5.125% senior notes with an aggregated nominal value of US$200,000,000 (equivalent to approximately RMB1,332,020,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$196,125,000 (equivalent to approximately RMB1,306,210,000). The 2017 Senior Notes will mature on 14 August 2022. The Company, at its option, can redeem all or a portion of the 2017 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iii) 2018 Senior Notes I

On 18 July 2018, the Company issued 8.5% senior notes with an aggregated nominal value of US$600,000,000 (equivalent to approximately RMB4,040,064,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$593,557,000 (equivalent to approximately RMB3,997,108,000). The 2018 Senior Notes I will mature on 18 July 2021. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes I at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iv) 2018 Senior Notes II

On 23 November 2018, the Company issued 9.5% senior notes with an aggregated nominal value of US$400,000,000 (equivalent to approximately RMB2,772,240,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$394,533,000 (equivalent to approximately RMB2,734,182,000). The 2018 Senior notes II will mature on 23 November 2020. The Company, at its option, can redeem all or a portion of the 2018 Senior notes II at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(b) **PRC Corporate Bonds**

On 11 January 2016, a PRC subsidiary (the "Issuer") of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. The bonds will mature on 11 January 2021. The Issuer shall be entitled to adjust the coupon rate at the end of third year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 29 April 2016, the Issuer issued 5.8% non-public corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,189,200,000. The bonds will mature on 29 April 2020. The Issuer shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On 27 April 2018, the Issuer redeemed the outstanding non-public corporate bonds in full at a redemption price equal to 100% of the principal amount of the non-public corporate bonds and the accrued and unpaid interest as of the Redemption Date.

On 29 July 2016, the Company issued 4.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on 29 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On 30 July 2018, the Company completed the repurchase and cancellation of 20,300,000 the non-public Domestic Corporate Bonds in an aggregate principal amount of RMB2,030,000,000. There are 9,700,000 Domestic Bonds in an aggregate principal amount of RMB970,000,000 outstandings.

(All amounts in RMB thousands unless otherwise stated)

26 Borrowings (Continued)

Notes (continued):

On 11 October 2016, the Company issued 4.6% and 5.7% corporate bonds with an aggregate amount of RMB1,800,000,000 and RMB1,200,000,000, respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000 and RMB1,192,500,000, respectively. The bonds will mature on 11 October 2021 and 11 October 2023, respectively. The Company shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 12 July 2017, the Company issued 6.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,976,735,000. The bonds will mature on 12 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

(c) **Panyu Asset-backed securities**

A PRC subsidiary of the Company engaged in property development entered into Panyu asset-backed securities ("ABS") arrangement with an assets management company by pledging of the receivables for certain properties under its management. On 1 September 2017, the Panyu ABS was formally established with an aggregate nominal value of RMB1,111,500,000, with a 3-year maturity, amongst which RMB55,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,053,653,000.

(d) **Commercial Mortgage Backed Securities**

A PRC subsidiary of the Company engaged in commercial property operation entered into Commercial Mortgage Backed Securities ("CMBS") arrangement with an assets management company by pledging of the receivables for certain properties under its operation as well as the building, the land use right and the investment property. On 10 April 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000, with an 18-year maturity, amongst which RMB500,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000.

(e) As at 31 December 2018, the Group's borrowings were secured by certain of its cash, trade receivables, land use rights, self-used properties, completed properties held for sale, properties under development, investment properties and the shares of subsidiaries and equity interests.

(f) As at 31 December 2018, the unsecured borrowings of RMB14,094,741 were jointly guaranteed by certain subsidiaries of the Group.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2018	2017
6 months or less	28,420,199	18,827,452
6–12 months	19,357,155	15,096,340
1–5 years	40,752,003	27,751,447
	88,529,357	61,675,239

(All amounts in RMB thousands unless otherwise stated)

26 Borrowings (Continued)

The carrying amounts of the borrowings with the respective effective interest rates:

	2018		2017	
	RMB'000	Effective interest rate	RMB'000	Effective interest rate
Senior notes	**11,551,480**	**8.47%**	4,514,909	9.79%
Borrowings excluding Senior notes	**76,977,877**	**6.30%**	57,160,330	5.52%
	88,529,357		61,675,239	

The carrying amounts and fair value of the non-current borrowings are as follows:

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Senior notes (note (i))	**11,551,480**	**11,791,938**	4,514,909	4,816,947
PRC public corporate bond (note (ii))	**1,599,830**	**1,598,400**	1,594,267	1,568,000
Bank borrowings, syndicated loans, other borrowings and others (note (iii))	**40,045,175**	**40,045,175**	28,419,828	28,419,828
	53,196,485	**53,435,513**	34,529,004	34,804,775

Notes:

(i) The fair value of senior notes is determined directly by references to the price quotations published by the Singapore Exchange Limited and The Stock Exchange of Hong Kong Limited on 31 December 2018, the last dealing date of 2018 and is within level 1 of the fair value hierarchy.

(ii) The fair value of RMB1,600,000,000 PRC corporate bond is determined directly by references to the price quotations published by the China Securities Index Co., Ltd on 31 December 2018, the last dealing date of 2018 and is within level 1 of the fair value hierarchy.

(iii) The fair values of non-current bank borrowings, syndicated loans, other borrowings and others approximate their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted at the average borrowing rate of 6.33% (2017: 5.84%), and are within level 2 of the fair value hierarchy.

(All amounts in RMB thousands unless otherwise stated)

26 Borrowings (Continued)

At 31 December 2018, the Group's borrowings were repayable as follows:

	2018	2017
Within 1 year	**35,332,872**	27,146,235
Between 1 and 2 years	**19,059,355**	13,331,543
Between 2 and 5 years	**28,047,755**	15,597,739
Over 5 years	**6,089,375**	5,599,722
	88,529,357	61,675,239

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2018	2017
RMB	**52,336,228**	41,806,931
HK dollar	**21,561,454**	13,217,466
US dollar	**14,128,683**	6,003,501
MYR	**502,992**	647,341
	88,529,357	61,675,239

The Group has the following undrawn borrowing facilities:

	2018	2017
Floating rate:		
— Expiring beyond one year	**2,733,000**	8,605,234

(All amounts in RMB thousands unless otherwise stated)

27 Deferred Income Tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2018	2017
Deferred income tax assets to be recovered after more than 12 months	**1,171,692**	962,106
Deferred income tax assets to be recovered within 12 months	**366,688**	194,611
Set-off of deferred tax liabilities pursuant to set-off provisions	**(104,398)**	(169,957)
	1,433,982	986,760
Deferred tax income liabilities to be settled after more than 12 months	**(1,960,798)**	(1,331,097)
Deferred tax income liabilities to be settled within 12 months	**(27,685)**	(13,455)
Set-off of deferred tax liabilities pursuant to set-off provisions	**104,398**	169,957
	(1,884,085)	(1,174,595)
Deferred income tax liabilities, net	**(450,103)**	(187,835)

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 tax assets – tax losses	Deferred tax assets – write-down of completed held for sale properties and properties under development	Temporary differences arising from trade and other receivables and contract assets	Deferred tax assets – unrealised profit on intra-group transactions	Deferred tax liabilities – excess of carrying amount of investment properties and property, plant and equipment over the tax bases	Deferred tax liabilities – excess of carrying amount of intangible assets over the tax bases	Deferred tax liabilities – excess of fair value of financial assets over the tax bases	Deferred tax liabilities – excess of carrying amount of land use right over the tax bases	Net
At 1 January 2017	774,602	34,994	2,002	62,642	(1,063,872)	—	—	(248,260)	(437,892)
Acquisition of a subsidiary	274	—	474	—	—	(23,750)	—	—	(23,002)
Credited/(charged) to the consolidated income statement	71,881	78,181	(302)	131,969	8,671	1,653	(26,543)	7,549	273,059
At 31 December 2017	846,757	113,175	2,174	194,611	(1,055,201)	(22,097)	(26,543)	(240,711)	(187,835)
Acquisition of subsidiaries	—	—	168	—	—	(33,132)	—	—	(32,964)
(Charged)/credited to the consolidated income statement	(188,689)	372,443	25,664	172,077	(497,091)	4,872	(39,092)	7,549	(142,267)
Charged to other comprehensive income	—	—	—	—	(87,037)	—	—	—	(87,037)
At 31 December 2018	**658,068**	**485,618**	**28,006**	**366,688**	**(1,639,329)**	**(50,357)**	**(65,635)**	**(233,162)**	**(450,103)**

(All amounts in RMB thousands unless otherwise stated)

27 Deferred Income Tax (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 tax assets of RMB445,471,000 (2017: RMB276,211,000) in respect of tax losses amounting to RMB1,781,884,000 (2017: RMB1,104,844,000) that can be carried forward against future taxable income. Tax losses of approximately RMB42,256,000, RMB137,856,000, RMB525,860,000, RMB331,496,000 and RMB744,416,000 will expire in 2019, 2020, 2021, 2022 and 2023 respectively.

Deferred income tax liabilities of RMB1,629,564,000 (2017: RMB1,252,417,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB32,591,280,000 (2017: RMB25,048,340,000) of certain subsidiaries. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to the oversea intermediate holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

28 Trade and Other Payables

	2018	2017
Trade payables (note (a))	16,852,035	13,778,090
Other payables due to:		
— Related parties (note 43(c))	5,590,518	3,386,339
— Amounts due to non-controlling interests	3,596,848	614,436
— Third parties (note (b))	8,935,399	1,667,662
Staff welfare benefit payable	797,198	583,285
Accruals	1,465,095	1,567,254
Advances from disposal of a subsidiary	987,700	—
Other taxes payable	4,309,178	1,666,886
	42,533,971	23,263,952

Notes:

(a) The ageing analysis of the trade payables of the Group as at 31 December 2018 and 2017 is as follows:

	2018	2017
Within 90 days	13,387,512	11,550,349
Over 90 days and within 180 days	2,729,635	1,731,714
Over 180 days and within 365 days	559,318	391,199
Over 365 days	175,570	104,828
	16,852,035	13,778,090

(b) The other payables to third parties mainly include: (i) the deposit received from third parties for potential equity cooperation in certain property development projects; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.

(All amounts in RMB thousands unless otherwise stated)

29 Other Gains, Net

	2018	2017
Fair value gains on investment properties (note 9)	**1,952,355**	4,376
Exchange gains/(losses), net (note (a))	**327,177**	(140,647)
Gains/(losses) on disposal of property, plant and equipment and investment properties	**23,330**	(16,716)
Fair value (losses)/gains on financial assets at fair value through profit or loss (note 15)	**(352,434)**	160,865
Others	**35,825**	32,171
	1,986,253	40,049

Note:

(a) Amount mainly represents the gains or losses of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss related to borrowings which are included in the "finance costs, net" (note 34).

30 Other Income

	2018	2017
Interest income (note (a))	**328,104**	284,371
Interest income from related parties (note 43(b))	**376,136**	149,383
Dividend income from financial assets at fair value through profit or loss	**171,751**	—
Government grants	**39,468**	—
Forfeited deposits from customers	**22,374**	30,391
Miscellaneous	**102,201**	106,340
	1,040,034	570,485

Note:

(a) Interest income was derived from bank deposit from reputable PRC banks.

(All amounts in RMB thousands unless otherwise stated)

31 Other Expenses

	2018	2017
Charitable donations	120,553	168,946
Early redemption cost of senior notes and Asset-backed Security	–	150,997
Compensation expenses	94,398	71,931
Miscellaneous	42,051	4,759
	257,002	396,633

32 Expenses by Nature

	2018	2017
Cost of properties sold — including construction cost, land cost and capitalised interests	26,812,567	28,058,904
Write-down of completed properties held for sale and properties under development	1,489,770	312,722
Employee benefit expenses — including directors' emoluments (note 33)	3,792,819	2,233,065
— Property development	1,928,991	1,146,529
— Property management	1,472,514	773,371
— Hotel operations	258,412	255,016
— Others	132,902	58,149
Commission fee	1,004,018	1,122,773
Advertising costs	676,097	620,694
Depreciation (note 6)	514,515	504,378
Other taxes	358,910	343,955
Other levies on sales of properties	331,998	394,444
Cleaning expenses	283,519	138,891
Auditors' remuneration	19,846	15,971
— Audit services	11,100	8,500
— Other reporting accountant services	—	1,300
— Non-audit services	8,746	6,171
Maintenance costs	170,169	85,448
Utilities	177,745	173,374
Amortisation of land use rights (note 7)	56,245	62,944
— Recognised as cost of sales	41,222	41,291
— Recognised as expenses	15,023	21,653
Amortisation of intangible assets (note 8)	32,298	17,517
Operating lease payments	78,169	67,109
Others	899,922	1,071,858
Total cost of sales, selling and marketing costs and administrative expenses	36,698,607	35,224,047

(All amounts in RMB thousands unless otherwise stated)

33 Employee Benefit Expense

	2018	2017
Wages and salaries	3,286,378	1,894,238
Pension costs — statutory pension (note (a))	215,724	134,671
Staff welfare	99,414	55,107
Medical benefits	58,542	33,863
Other allowances and benefits	132,761	115,186
	3,792,819	2,233,065

Notes:

(a) 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: two) directors whose emoluments are reflected in the analysis shown in note 48. The emoluments payable to the remaining three (2017: three) individuals during the year are as follows:

	2018	2017
Salary	21,453	24,513
Contribution to pension scheme	132	110
	21,585	24,623

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK dollar)		
HK$ 7,000,001–HK$ 7,500,000	1	—
HK$ 7,500,001–HK$ 8,000,000	—	1
HK$ 8,000,001–HK$ 8,500,000	1	—
HK$ 8,500,001–HK$ 9,000,000	—	1
HK$ 10,000,001–HK$ 10,500,000	1	—
HK$ 11,500,001–HK$ 12,000,000	—	1

(c) During the years ended 31 December 2018 and 2017, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

(All amounts in RMB thousands unless otherwise stated)

34 Finance Costs, Net

	2018	2017
Interest expense:		
— Bank borrowings, syndicated loans and other borrowings	(3,571,673)	(1,927,867)
— Senior notes	(578,539)	(740,783)
— PRC Corporate Bonds, ABS and CMBS	(906,165)	(644,624)
Less: interest capitalised	3,657,861	2,050,016
Exchange (losses)/gains from borrowings	(1,738,800)	1,186,418
Less: exchange losses capitalised	491,031	—
Changes in fair value of derivative financial instruments (note 25)	(98,068)	(821,834)
	(2,744,353)	(898,674)

35 Income Tax Expenses

	2018	2017
Current income tax:		
— PRC corporate income tax	3,802,299	3,548,589
— PRC land appreciation tax	6,838,137	5,289,831
— PRC withholding income tax	260,579	523,175
Deferred income tax (note 27)		
— PRC corporate income tax	153,933	(299,602)
— Hong Kong profits tax	(11,666)	26,543
	11,043,282	9,088,536

(All amounts in RMB thousands unless otherwise stated)

35 Income Tax Expenses (Continued)

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries or regions of the Group entities as follows:

	2018	2017
Profit before income tax	**19,401,099**	15,868,814
Tax calculated at tax rates applicable to profits in the respective entities of the Group	**4,602,786**	3,953,530
Tax effects of:		
— Associates' results reported net of tax	**(5,574)**	(21,488)
— Joint ventures' results reported net of tax	**(1,200)**	(20,847)
— Income not subject to income tax (note (a))	**(18,958)**	(35,947)
— Expenses not deductible for income tax (note (b))	**890,942**	639,866
— PRC land appreciation tax deductible for calculation of income tax purposes	**(1,709,534)**	(1,322,458)
— Tax losses for which no deferred income tax asset was recognised	**186,104**	82,874
PRC corporate income tax	**3,944,566**	3,275,530
PRC withholding income tax	**260,579**	523,175
PRC land appreciation tax	**6,838,137**	5,289,831
	11,043,282	9,088,536

Notes:

(a) Income not subject to income tax for the years ended 31 December 2018 and 2017 mainly comprise the interest income of bank deposits.

(b) Expenses not deductible for income tax for the years ended 31 December 2018 mainly comprise administrative expense of domestic companies over deduction limits, donations made to non-official public welfare institutions, the loss of trading stock, exchange loss and expenses of the Group entities in Hong Kong and Malaysia (2017: same).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

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 of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

(All amounts in RMB thousands unless otherwise stated)

35 Income Tax Expenses (Continued)

PRC withholding income tax

According to the CIT 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 of 5% withholding tax rate may 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.

During the year ended 31 December 2018, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

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. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

Except for provision for the fair value gains of financial assets at fair value through profit or loss, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

36 Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2018	2017
Profit attributable to shareholders of the Company	7,125,007	6,025,244
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,882,578	3,882,578
Basic earnings per share (RMB per share)	1.835	1.552

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. For the years ended 31 December 2018 and 2017, there was no diluted potential ordinary share, diluted earnings per share equally to basic earnings per share.

(All amounts in RMB thousands unless otherwise stated)

37 Dividends

	2018	2017
Interim dividend paid of HK$0.50 (2017: HK$0.22) per ordinary share (note (a))	**1,705,463**	740,881
Less: Dividend for shares held for Share Award Scheme	**(14,746)**	(6,269)
	1,690,717	734,612
Proposed final dividend of HK$0.50 (2017: HK$0.68) per ordinary share (note (b))	**1,673,167**	2,245,648
Less: Dividend for shares held for Share Award Scheme	**(14,724)**	(20,057)
	1,658,443	2,225,591

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2018 of HK$0.50 per ordinary share, approximately HK$1,958,524,000 (equivalent to RMB1,705,463,000) was declared by the Board of Directors of the Company (2017: RMB740,881,000).

(b) A final dividend in respect of 2017 of HK$0.68 per ordinary share approximately HK$2,663,291,000 (equivalent to RMB2,245,648,000) was declared at the Annual General Meeting of the Company on 8 May 2018, of which HK$23,430,000 (equivalent to RMB20,057,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings.

A final dividend in respect of 2018 of HK$0.50 per ordinary share have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 10 May 2019. The final dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected these dividends payable.

(All amounts in RMB thousands unless otherwise stated)

38 Cash Flow Information

(a) Cash generated from operations

	2018	2017
Profit for the year	**8,357,817**	6,780,278
Adjustments for:		
Taxation	**11,043,282**	9,088,536
Interest income (note 30)	**(704,240)**	(433,754)
Depreciation (note 6)	**514,515**	504,378
Amortisation of intangible assets (note 8)	**32,298**	17,517
Amortisation of land use rights (note 7)	**56,245**	62,944
Write-down of completed properties held for sale and properties under development	**1,489,770**	312,722
Net impairment losses on financial and contract assets	**97,250**	(1,234)
(Gains)/losses on disposal of investment properties and property, plant and equipment	**(23,330)**	16,716
Net exchange (gains)/losses	**(79,037)**	140,647
Fair value gains on investment properties	**(1,952,355)**	(4,376)
Share of post-tax profit of associates	**(22,297)**	(85,953)
Share of post-tax profit of joint ventures	**(4,801)**	(83,388)
Finance costs, net (note 34)	**2,744,353**	898,674
Fair value losses/(gains) on financial assets at fair value through profit or loss (note 29)	**352,434**	(160,865)
Redemption cost	**—**	150,997
Changes in working capital:		
Property under development and completed properties held for sales	**(23,088,337)**	(14,924,037)
Prepayments for acquisition of land use rights	**1,612,784**	3,851,546
Restricted cash	**1,376,799**	32,559
Trade and other receivables	**(4,744,729)**	(5,610,394)
Trade and other payables and accruals	**12,585,762**	3,779,410
Advanced proceeds received from customers	**(19,460,971)**	8,843,539
Contract assets	**(448,715)**	—
Contract liabilities	**25,489,558**	—
Cash generated from operations	**15,224,055**	13,176,462

(All amounts in RMB thousands unless otherwise stated)

38 Cash Flow Information (Continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

Net debt	2018	2017
Cash and cash equivalents	35,776,231	19,041,948
Financial assets at fair value through profit or loss	3,232,031	1,204,478
Borrowings – repayable within one year	(35,332,872)	(27,146,235)
Borrowings – repayable after one year	(53,196,485)	(34,529,004)
Net debt	(49,521,095)	(41,428,813)
Cash and cash equivalents	35,776,231	19,041,948
Financial assets at fair value through profit or loss	3,232,031	1,204,478
Gross debt – fixed interest rates	(39,766,004)	(27,051,445)
Gross debt – variable interest rates	(48,763,353)	(34,623,794)
Net debt	(49,521,095)	(41,428,813)

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings	Other payables-related parties	Other payable-non-controlling interests	Dividends	Total
As at 1 January, 2018	61,675,239	3,386,339	614,436	368	65,676,382
Cash flows					
— Inflow from financing activities	80,172,084	2,204,179	3,296,742	–	85,673,005
— Outflow from financing activities	(55,383,268)	–	(314,330)	(3,916,308)	(59,613,906)
Non-cash changes					
— Finance expense recognised	2,037,177	–	–	–	2,037,177
— Acquisition of a subsidiary	12,000	–	–	–	12,000
— Accrued dividends	–	–	–	3,916,308	3,916,308
— Other non-cash movement	16,125	–	–	124	16,249
As at 31 December, 2018	88,529,357	5,590,518	3,596,848	492	97,717,215

(All amounts in RMB thousands unless otherwise stated)

39 Business Combination

During the year ended 31 December 2018, the Group completed several acquisitions of equity interests in certain companies, mainly included property management companies, environmental protection companies and others, at consideration of RMB1,194,183,000 in aggregate. The acquisitions have significantly increased the Group's market shares in the property management industry and environmental protection industry, and complements the Group's existing property development segment. Goodwill of RMB538,518,000 and identifiable net assets of RMB655,665,000 were recognised.

Details of the purchase consideration, the net asset acquired and goodwill are as follow:

At 31 December 2018	Property management companies	Environmental protection companies	Others	Total
Consideration				
— Cash paid	139,060	475,760	171,440	786,260
— Payable	73,473	291,090	43,360	407,923
	212,533	766,850	214,800	1,194,183
Recognised amounts of identifiable assets acquired and liabilities assumed				
Cash and cash equivalents	22,659	14,222	11,027	47,908
Property, plant and equipment (note 6)	1,645	514,387	8,710	524,742
Trademarks (included in other intangible assets) (note 8)	10,400	41,681	—	52,081
Customer relationship (included in other intangible assets) (note 8)	66,860	—	—	66,860
Deferred income tax assets	168	—	—	168
Inventories	361	17,106	29,571	47,038
Intangibles (excluding trademarks and contractual customer relationship) (note 8)	296	5,363	510	6,169
Land use right (note 7)	—	90,586	—	90,586
Trade and other receivables	191,986	450,093	184,347	826,426
Trade and other payables	(102,247)	(420,316)	(71,127)	(593,690)
Deferred income tax liabilities	(19,316)	(13,816)	—	(33,132)
Borrowings	(12,000)	—	—	(12,000)
Total identifiable net assets	160,812	699,306	163,038	1,023,156
Non-controlling interests	(74,674)	(237,062)	(55,755)	(367,491)
Identifiable net assets attributable to the Company	86,138	462,244	107,283	655,665
Goodwill (note 8)	126,395	304,606	107,517	538,518

(All amounts in RMB thousands unless otherwise stated)

39 Business Combination (Continued)

Net cash outflow arising on acquisition during the year ended 31 December 2018:

Cash consideration paid	(786,260)
Cash and cash equivalents acquired at the acquisition date	47,908
	(738,352)

40 Financial Guarantee

	2018	2017
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	**44,775,365**	38,570,768
Guarantee in respect of borrowings of an associate (note (b) and note 43(b))	**424,095**	496,000
Guarantee in respect of borrowings of joint ventures (note (c) and note 43(b))	**6,244,840**	1,566,400
	51,444,300	40,633,168

Notes:

(a) The Group has cooperated with certain financial institutions to arrange mortgage loan facilities for its purchasers of properties and provide guarantees to secure obligations of such purchasers for repayments. As at 31 December 2018, the outstanding guarantees amounted to RMB44,775,365,000 (2017: RMB38,570,768,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the associate was RMB73,023,000 as at 31 December 2018 (2017: RMB964,312,000).

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the joint ventures was RMB3,407,138,000 as at 31 December 2018 (2017: RMB455,825,000).

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 any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

(b) Several subsidiaries of the Group and an associate counter party have provided certain guarantees in proportion of their shareholding in an associate in respect of loan facilities amounting to RMB848,190,000 (2017: RMB2,480,000,000). The Group's share of the guarantees amounted to RMB424,095,000 (2017: RMB496,000,000).

(c) Several subsidiaries of the Group and joint venture counter parties have provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loan facilities amounting to RMB13,779,000,000 (2017: RMB5,472,800,000). The Group's share of the guarantees amounted to RMB6,244,840,000 (2017: RMB1,566,400,000).

(All amounts in RMB thousands unless otherwise stated)

41 Commitments

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
Property, plant and equipment:		
— Not later than one year	89,534	73,602
— Later than one year and not later than five years	139,519	221,483
	229,053	295,085

	2018	2017
Lease of areas adjacent to the property development projects:		
— Not later than one year	850	800
— Later than one year and not later than five years	3,850	3,700
— Later than five years	29,000	30,000
	33,700	34,500

	2018	2017
Lease of the land use right for ancillary facilities:		
— Not later than one year	2,131	2,131
— Later than one year and not later than five years	8,717	8,525
— Later than five years	21,969	24,292
	32,817	34,948

(b) Other commitments

	2018	2017
Contracted but not provided for		
— Property development activities	29,659,316	23,772,937
— Acquisition of land use rights	6,311,197	6,430,182
— Property, plant and equipment	1,265,020	—
— Other intangible assets	3,060	4,403
	37,238,593	30,207,522

(All amounts in RMB thousands unless otherwise stated)

42 Future Minimum Rental Payments Receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2018	2017
Not later than one year	216,925	159,096
Later than one year and not later than five years	328,756	435,534
Over five years	161,592	213,554
	707,273	808,184

43 Related Party Transactions

(a) Name and relationship with related parties

Name	Relationship
Full Choice Investments Limited	The ultimate holding Company of the Group
Top Coast Investment Limited	The intermediate holding Company of the Group
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the "Founding Shareholders")	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (i)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i)) 中山市雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Foshan Changzhong Real Estate Development Co., Ltd. (note (i)) 佛山市昌重房地產開發有限公司	Associate of the Group
Foshanshi Sanshuiqu Qingmei Real Estate Co., Ltd. (note (i)) 佛山市三水區擎美房地產有限公司	Associate of the Group
Foshan Yaxu Real Estate Development Co., Ltd. (note (i)) 佛山雅旭房地產開發有限公司	Associate of the Group
Fuzhou Shengquan Real Estate Development Co., Ltd. (note (i)) 福州盛全房地產開發有限公司	Associate of the Group
Xinxingxian Country Garden Real Estate Development Co., Ltd. (note (i)) 新興縣碧桂園房地產開發有限公司	Associate of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related Party Transactions (Continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Sichuan Yacan Real Estate Development Co., Ltd. (note (i)) 四川雅燦房地產開發有限公司	Associate of the Group
Jinzhongshi Jinhong Yubao Real Estate Development Co., Ltd. (note (i)) 晉中市錦洪裕寶房地產開發有限責任公司	Associate of the Group
Haimen Xinya Real Estate Development Co., Ltd. (note (i)) 海門新雅房地產開發有限公司	Associate of the Group
Sichuan Yaheng Real Estate Development Co., Ltd. (note (i)) 四川雅恒房地產開發有限公司	Associate of the Group
Nantongshi Tongzhouqu Dongju Land Co., Ltd. (note (i)) 南通市通州區東居置業有限公司	Associate of the Group
Dali Meizhao Real Estate Development Co., Ltd. (note (i)) 大理美詔房地產開發有限公司	Associate of the Group
Handan Yurong Real Estate Development Co., Ltd. (note (i)) 邯鄲裕榮房地產開發有限公司	Associate of the Group
Xuzhou Jiale Real Estate Development Co., Ltd (note (i)) 徐州佳樂房地產開發有限公司	Associate of the Group
Wuxi Yahui Real Estate Development Co., Ltd. (note (i)) 無錫雅輝房地產開發有限公司	Associate of the Group
Guangzhou Yasheng Hengyao Investment Partnership Enterprises (Limited Partnership) (note (i)) 廣州雅晟恒耀投資合夥企業（有限合夥）	Associate of the Group
Oyster Point Development LLC	Associate of the Group
Guangzhou Lihe Property Development Co., Ltd. (note (i)) 廣州利合房地產開發有限公司	Joint venture of the Group
Tianjin Jinnan Xincheng Real Estate Development Co., Limited (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related Party Transactions (Continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Guangzhou Huadu Yazhan Realty Development Co., Ltd. (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. (note (i)) 長沙上城置業有限公司	Joint venture of the Group
Guangxi Fuya Investments Co., Ltd. (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Charm Talent Limited (note (i)) 煌迪有限公司	Joint venture of the Group
Zhongshanshi Shiguang Chuangjian Zhiye Company Limited (note (i)) 中山市世光創建置業有限公司	Joint venture of the Group
Zhongshan Haide Real Estate Development Co., Ltd. (note (i)) 中山市海德房地產開發有限公司	Joint venture of the Group
Zhongshanshi Dongcheng Real Estate Development Company Limited (note (i)) 中山市東城實業發展有限公司	Joint venture of the Group
Zhongshanshi Mingtai Property Development Company Limited (note (i)) 中山市名泰房地產開發有限公司	Joint venture of the Group
Suzhou Agile Land Co., Ltd. (note (i)) 蘇州雅居樂置業有限公司	Joint venture of the Group
Foshan Yazhan Property Development Co., Ltd. (note (i)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Wuhan Changkai Property Development Co., Ltd. (note (i)) 武漢長凱物業發展有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd. (note (i)) 中山市志力置業有限公司	Joint venture of the Group
Zhongshan Jucheng Enterprise Co., Ltd. (note (i)) 中山市鉅成實業有限公司	Joint venture of the Group
Zhongshan Bosheng Enterprise Co., Ltd. (note (i)) 中山市鉑晟房地產開發有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related Party Transactions (Continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Zhongshan Wenhua Real Estate Co.,Ltd. (note (i)) 中山市文華房地產有限公司	Joint venture of the Group
Zhongshan Minsen Real Estate Development Co., Ltd. (note (i)) 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. (note (i)) 海南雅宏旅遊置業有限公司	Joint venture of the Group
Hainan Yahai Resort Development Co., Ltd. (note (i)) 海南雅海旅遊發展有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Developement Co., Ltd. (note (i)) 中山市盈軒房地產開發有限公司	Joint venture of the Group
Changzhou Yajing Real Estate Development Co., Ltd. (note (i)) 常州雅勁房地產開發有限公司	Joint venture of the Group
Zhongshan Hehua Hotel Co., Ltd. (note (i)) 中山市和華酒店有限公司	Joint venture of the Group
Beijing Zhonggang International Real Estate Development Co., Ltd. (note (i)) 北京中港國際房地產開發有限公司	Joint venture of the Group
Foshan Zhongjiao Real Estate Development Co., Ltd. (note (i)) 佛山中交房地產開發有限公司	Joint venture of the Group
Foshan Xiangsong Land Co., Ltd. (note (i)) 佛山香頌置業有限公司	Joint venture of the Group
Hefei Changzhe Real Estate Development Co., Ltd. (note (i)) 合肥昌哲房地產開發有限公司	Joint venture of the Group
Changzhou Jingya Real Estate Development Co., Ltd. (note (i)) 常州勁雅房地產開發有限公司	Joint venture of the Group
Jinan Yajun Real Estate Development Co., Ltd. (note (i)) 濟南雅雋房地產開發有限公司	Joint venture of the Group
Lianyungangshi Ganglong Real Estate Co., Ltd. (note (i)) 連雲港市港龍置業有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related Party Transactions (Continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Zhongshan Jucheng Enterprise Co., Ltd. (note (i)) 中山市鉅成實業有限公司	Joint venture of the Group
Jinan Yaheng Real Estate Development Co., Ltd. (note (i)) 濟南雅恒房地產開發有限公司	Joint venture of the Group
Xuzhou Chuanda Real Estate Development Co., Ltd. (note (i)) 徐州川達房地產開發有限公司	Joint venture of the Group
Jiangmenshi Meishun Real Estate Development Co., Ltd. (note (i)) 江門市美順房地產開發有限公司	Joint venture of the Group
Kaifeng Guokong Songdu Land Co., Ltd. (note (i)) 開封國控宋都置業有限公司	Joint venture of the Group
Jiaxing Xingya Real Estate Development Co., Ltd. (note (i)) 嘉興興雅房地產開發有限公司	Joint venture of the Group
Xuzhou Yafeng Real Estate Development Co., Ltd. (note (i)) 徐州雅豐房地產開發有限公司	Joint venture of the Group
Xingyang Agile City Construction Co., Ltd. (note (i)) 滎陽雅居樂城市建設有限公司	Joint venture of the Group
Xingyang Agile Enterprise Co., Ltd. (note (i)) 滎陽雅居樂實業有限公司	Joint venture of the Group
Meizhou Zhongnan Yusheng Real Estate Development Co., Ltd. (note (i)) 梅州中南昱晟房地產開發有限公司	Joint venture of the Group
Guangzhou Yajing Real Estate Development Co., Ltd. (note (i)) 廣州雅景房地產開發有限公司	Joint venture of the Group
Jiangxi Jianda Investment Co., Ltd. (note (i)) 江西建大投資有限公司	Joint venture of the Group
Fujian Chuxin Eco Technology Co., Ltd. (note (i)) 福建省儲鑫環保科技有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related Party Transactions (Continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Jinzhong Xiya Real Estate Development Co., Ltd. (note (i)) 晉中熙雅房地產開發有限公司	Joint venture of the Group
Jinan Junsheng Real Estate Development Co., Ltd. (note (i)) 濟南雋盛房地產開發有限公司	Joint venture of the Group
Wuhu Agile Real Estate Development Co., Ltd. (note (i)) 蕪湖雅旭房地產開發有限公司	Joint venture of the Group
Chenzhou Yajule Real Estate Development Co., Ltd. (note (i)) 郴州雅居樂房地產開發有限公司	Joint venture of the Group
Chongqing Jinbi Agile Real Estate Development Co., Ltd. (note (i)) 重慶金碧雅居房地產開發有限公司	Joint venture of the Group
Gongqingcheng Investment (note (i)) 共青城投資	Controlled by a key management personnel of the Group

Note (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies, as no English names have been registered or available.

(All amounts in RMB thousands unless otherwise stated)

43 Related Party Transactions (Continued)

(b) Transactions with related parties

During the years ended 31 December 2018 and 2017, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business:

	2018	2017
Golf facilities service fee charged by Zhongshan Changjiang Golf Course (note (i))	12,919	756
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i))	3,240	1,819
	16,159	2,575

	2018	2017
Loan to related parties		
— Associates	2,643,730	—
— Joint ventures	2,584,511	747,397
	5,228,241	747,397

	2018	2017
Repayment of loans to related parties		
— Joint ventures	77,206	904,916

	2018	2017
Interest income from (note (ii))		
— Associates	93,163	—
— Joint ventures	282,973	149,383
	376,136	149,383

(All amounts in RMB thousands unless otherwise stated)

43 Related Party Transactions (Continued)

(b) Transactions with related parties (continued)

	2018	2017
Guarantee in respect of borrowings		
— an associate	424,095	496,000
— Joint ventures	6,244,840	1,566,400
	6,668,935	2,062,400

Key management compensation

Key management includes executive directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	2018	2017
— Salaries and other short-term employee benefits	43,127	53,178
— Retirement scheme contributions	124	178
	43,251	53,356

Notes:

(i) Restaurant and hotel service fees and golf facilities service fee 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. In the opinion of the directors of the Company, the above 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.

(ii) Interest income were charged in accordance with the terms of the loan contracts which, in the agreement of the related parties and the Company.

(All amounts in RMB thousands unless otherwise stated)

43 Related Party Transactions (Continued)

(c) Balances with related parties

As at 31 December 2018 and 2017, the Group had the following significant non-trade balances with related parties:

	2018	2017
Receivables due from (note (i))		
— Associates	2,578,743	2,625,524
— Joint ventures	9,676,037	4,163,270
— Other related parties	195,484	190,000
	12,450,264	6,978,794
Loan and interest receivables due from (note (ii))		
— Associates	2,701,516	—
— Joint ventures	3,840,425	1,253,355
	6,541,941	1,253,355
Payables due to (note (i))		
— Associates	696,674	—
— Joint ventures	4,789,650	3,286,273
— Other related parties	104,194	100,066
	5,590,518	3,386,339
Contract liabilities		
— Joint ventures	3,530	—

Notes:

(i) The balances are cash advances in nature, which are unsecured and interest free.

(ii) The balances are loan receivables and interest from associates and joint ventures, which are unsecured and interest bearing. The effective interest rate ranges from 4.35% to 15% per annum.

(All amounts in RMB thousands unless otherwise stated)

44 Ultimate Holding Company

The directors of the Company consider Full Choice Investments Limited, a company incorporated in Hong Kong, to be the ultimate holding company of the Group.

45 Subsidiaries

(a) Particulars of principal subsidiaries of the Group at 31 December 2018 are set out below:

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Directly held by the Company					
Eastern Supreme Group Holdings Limited (formerly named Eastern Supreme Group Limited)	British Virgin Islands (the "BVI")/limited liability Company	Investment holding/ Hong Kong	100%	100%	—
Indirectly held by the Company					
雅居樂雅生活服務股份有限公司 A-Living Services Co., Ltd.	PRC/foreign invested enterprise	Property management/ Mainland China	—	54%	46%
雅居樂地產置業有限公司 （前稱中山市雅居樂地產置業有限公司） Agile Property Land Co., Ltd. (formerly named Zhongshan Agile Property Land Co., Ltd)	PRC/wholly foreign owned enterprise	Management consultant/ Mainland China	—	100%	—
中山雅居樂雍景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2018 are set out below (continued):

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
中山市凱茵豪園房地產開發有限公司 Zhongshan Greenville Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
佛山市雅居樂房地產有限公司 Foshan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
南京雅居樂房地產開發有限公司 Nanjing Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
河源市雅居樂房地產開發有限公司 Heyuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
海南清水灣控股有限公司 Hainan Clearwater Bay Holdings Limited	BVI/Limited liability company	Investment holding/BVI	—	100%	—
海南雅居樂房地產開發有限公司 Hainan Agile Real Estate Development Co., Ltd. ("Hainan Agile") (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	—	100%	—

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2018 are set out below (continued):

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
海南雅恒房地產發展有限公司 Hainan Yaheng Real Estate Development Co., Ltd. ("Hainan Yaheng") (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	—	100%	—
廣州從化雅居樂房地產開發有限公司 Guangzhou Conghua Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
四川雅居樂房地產開發有限公司 Sichuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
佛山市三水雅居樂房地產有限公司 Foshan Sanshui Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
惠州白鷺湖旅遊實業開發有限公司 Huizhou Bailuhu Tour Enterprise Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	—	100%	—
陝西昊瑞房地產開發有限責任公司 Shanxi Haorui Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
上海靜安城投重慶置業有限公司 Shanghai Jing'an Chengtou Chongqing Land Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
上海雅恒房地產開發有限公司 (前稱上海金昌房地產開發有限公司) Shanghai Yaheng Real Estate Development Co., Ltd. (formerly named Shanghai Jinchang Real Estate Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2018 are set out below (continued):

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
廣州雅居樂酒店有限公司 Guangzhou Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/ Mainland China	—	100%	—
佛山雅居樂酒店有限公司 Foshan Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/ Mainland China	—	100%	—
廣州雅恒房地產開發有限公司 Guangzhou Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
中山市雅信房地產開發有限公司 Zhongshan Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
中山市雅創房地產開發有限公司 Zhongshan Yachuang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
廣州雅生房地產開發有限公司 Guangzhou Yasheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
中山市雅景房地產開發有限公司 Zhongshan Yajing Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
廣州雅粵房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
廣州雅騰房地產開發有限公司 Guangzhou Yateng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2018 are set out below (continued):

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
佛山市三水雅居樂雍景園房地產有限公司 Foshan Sanshui Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
廣東西樵商貿廣場有限公司 Guangdong Xiqiao Commerce Plaza Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
南京江寧雅居樂房地產開發有限公司 Nanjing Jiangning Agile Real Estate Development Co.,Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
遼寧雅居樂房地產開發有限公司 Liaoning Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
西安雅居樂物業投資管理有限公司 Xi'an Agile Property Investment Management Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
佛山市順德區雅居樂房地產有限公司 Foshan Shunde Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
南京雅建置業有限公司 Nanjing Yajian Land Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
常州雅居樂房地產開發有限公司 Changzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
騰沖雅居樂旅遊置業有限公司 Tengchong Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2018 are set out below (continued):

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
海南雅航旅遊置業有限公司 Hainan Yahang Travel Property Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
惠州市惠陽雅居樂房地產開發有限公司 Huizhou Huiyang Agile Real Estate Development Co., Ltd (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
西雙版納雅居樂旅遊置業有限公司 (前稱：西雙版納雅居樂旅遊發展有限公司) Xishuangbanna Agile Resort Co., Ltd. (formerly named: Xishuangbanna Agile Resort Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
瑞麗雅居旅遊置業有限公司 Ruili Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
西安曲江雅居樂房地產開發有限公司 Xi'an Qujiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	70%	30%
佛山市順德區雅新房地產開發有限公司 Foshan Shunde Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
揚州雅居樂房地產開發有限公司 Yangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	—	100%	—
來安雅居樂房地產開發有限公司 Lai'an Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2018 are set out below (continued):

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
無錫雅居樂房地產開發有限公司 Wuxi Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
上海松江雅居樂房地產開發有限公司 Shanghai SongJiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	—	100%	—
昆山市富恒房地產開發有限公司 Kunshan Fuheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
中山市雅尚房地產開發有限公司 Zhongshan Yashang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
杭州余杭雅居樂房地產開發有限公司 Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
南京濱江雅居樂房地產開發有限公司 Nanjing Binjiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	100%	—
鄭州雅居樂房地產開發有限公司 Zhengzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	60%	40%
佛山市南海區雅恒房地產開發有限公司 Foshan Nanhai Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	—	51%	49%

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2018 are set out below (continued):

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administrating and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The 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.

Note (i): The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

(All amounts in RMB thousands unless otherwise stated)

46 Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

	As at 31 December	
	2018	2017
ASSETS		
Non-current assets		
Investments in subsidiaries	**448,520**	448,520
Total non-current assets	**448,520**	448,520
Current assets		
Amounts due from subsidiaries	**62,620,721**	48,399,651
Other receivables and prepayments	**149,185**	92,669
Financial assets at fair value through profit or loss	**139,189**	—
Cash and cash equivalents	**2,028,994**	1,728,902
Total current assets	**64,938,089**	50,221,222
Total assets	**65,386,609**	50,669,742
EQUITY		
Equity attributable to shareholders of the Company		
Share capital and premium	**3,421,883**	3,421,883
Shares held for Share Award Scheme	**(156,588)**	(156,588)
Other reserves (note (a))	**427,512**	427,512
Retained earnings (note (a))	**2,432,683**	2,526,254
	6,125,490	6,219,061
Perpetual Capital Securities	**8,334,875**	4,485,776
Total equity	**14,460,365**	10,704,837
LIABILITIES		
Non-current liabilities		
Borrowings	**31,906,734**	19,186,013
Derivative financial instruments	**6,144**	4,403
Total non-current liabilities	**31,912,878**	19,190,416
Current liabilities		
Borrowings	**11,903,533**	10,159,319
Amounts due to subsidiaries	**6,429,197**	9,906,562
Other payables and accruals	**673,444**	467,763
Derivative financial instruments	**7,192**	240,845
Total current liabilities	**19,013,366**	20,774,489
Total liabilities	**50,926,244**	39,964,905
Total equity and liabilities	**65,386,609**	50,669,742

The balance sheet of the Company was approved by the Board of Directors on 20 March 2019 and was signed on its behalf by:

Chen Zhuo Lin **Chan Cheuk Hung**

(All amounts in RMB thousands unless otherwise stated)

46 Balance Sheet and Reserve Movement of the Company (Continued)

Balance sheet of the Company (continued)

Note (a): Reserves movement of the Company

	Other reserves	Retained earnings
At 1 January 2017	427,512	909,104
Profit for the year	—	3,052,547
Dividends declared relating to 2017	—	(1,435,397)
At 31 December 2017	**427,512**	**2,526,254**
At 1 January 2018	**427,512**	**2,526,254**
Profit for the year	—	**3,857,540**
Dividends declared relating to 2018	—	**(3,951,111)**
At 31 December 2018	**427,512**	**2,432,683**

47 Events after the Balance Sheet Date

(a) Pursuant to the agreement dated on 11 December 2018 and the supplemental agreement dated on 27 February 2019 entered into by a third party acquirer (the "Acquirer") and Huizhou Bailuhu (an indirect wholly-owned subsidiary of the Company, "Bailuhu"), it was agreed that the Acquirer will acquire 34% equity interests of a subsidiary of Bailuhu ("Huiyang Project") at a total consideration of RMB1,394,400,000. According to the agreements, the Huiyang Project would be jointly controlled by the Acquirer and Bailuhu after 34% equity interests were transferred to the Acquirer. The Acquirer has paid part of consideration of RMB987,700,000 as advance payment on 28 December 2018, and contributed RMB987,700,000 to Huiyang Project on 21 December 2018, which were recognised as other payable in the consolidated balance sheet. Up to report date, the transactions was not completed.

(b) On 7 March 2019, the Company issued 6.7% senior notes due 2022 with a aggregate nominal value of US$500,000,000 at face value. The net proceeds, after deducting the issuance costs, approximated to US$496,000,000, equivalent to RMB3,328,656,000.

(All amounts in RMB thousands unless otherwise stated)

48 Benefits and Interests of Directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

For the year ended 31 December 2018:

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	3,793	—	15	3,808
Mr. Chan Cheuk Hung	2,706	—	15	2,721
Mr. Huang Fengchao	127	7,329	129	7,585
Mr. Chen Zhongqi	127	7,371	54	7,552
Mr. Chan Cheuk Yin	355	—	—	355
Madam. Luk Sin Fong, Fion	355	—	—	355
Mr. Chan Cheuk Hei	355	—	—	355
Mr. Chan Cheuk Nam	355	—	—	355
Dr. Cheng Hon Kwan (note (i))	355	—	—	355
Mr. Kwong Che Keung, Gordon (note (i))	355	—	—	355
Mr. Cheung Wing Yui, Edward (note (i), (ii))	42	—	—	42
Mr. Hui Chiu Chung, Stephen (note (i))	355	—	—	355
Mr. Wong Shiu Hoi, Peter (note (i))	355	—	—	355
	9,635	14,700	213	24,548

(All amounts in RMB thousands unless otherwise stated)

48 Benefits and Interests of Directors (Continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2017:

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	3,910	—	16	3,926
Mr. Chan Cheuk Hung	2,789	—	16	2,805
Mr. Huang Fengchao	129	9,515	162	9,806
Mr. Chen Zhongqi	129	9,335	57	9,521
Mr. Chan Cheuk Yin	362	—	—	362
Madam. Luk Sin Fong, Fion	362	—	—	362
Mr. Chan Cheuk Hei	362	—	—	362
Mr. Chan Cheuk Nam	362	—	—	362
Dr. Cheng Hon Kwan (note (i))	362	—	—	362
Mr. Kwong Che Keung, Gordon (note (i))	362	—	—	362
Mr. Cheung Wing Yui, Edward (note (i))	362	—	—	362
Mr. Hui Chiu Chung, Stephen (note (i))	362	—	—	362
Mr. Wong Shiu Hoi, Peter (note (i))	362	—	—	362
	10,215	18,850	251	29,316

Note (i): Independent non-executive directors of the Company.

Note (ii): Mr. Cheung Wing Yui, Edward has resigned as an non-executive director of the Company with effect from 13 February 2018.

(All amounts in RMB thousands unless otherwise stated)

48 Benefits and Interests of Directors (Continued)

(b) Directors' retirement benefits

During the year ended 31 December 2018, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2017: same).

(c) Directors' termination benefits

During the year ended 31 December 2018, there was no termination benefits received by the directors (2017: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, no consideration was paid for making available the services of the directors of the Company (2017: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2018, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Agile Group Holdings Limited
(formerly known as "Agile Property Holdings Limited")
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Agile Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 203, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit and our audit procedures performed to address this key audit matter are set out as below:

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimates for provision of properties under development and completed properties held for sale Refer to notes 4, 17 and 18 to the consolidated financial statements. Properties under development and completed properties held for sale amounted to approximately RMB74,732,444,000 as at 31 December 2017, accounting for approximately 45.75% of the Group's total assets. Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable values were assessed taking into account of costs to completion of properties under development, variable selling expenses based on past experience and selling price based on prevailing market conditions. Based on management's assessment, a provision of RMB103,571,000 for properties under development and a provision of RMB349,126,000 was made for completed properties held for sale as at 31 December 2017. We focused on this area because of the significant estimates and judgements involved in determining the selling prices, variable selling expenses and costs to completion.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion; (ii) We assessed the Company's estimates of the anticipated costs to completion for properties under development by reconciling the anticipated costs to completion to the approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of the similar type of properties in the similar location. We performed analysis on management's material cost adjustments; and (iii) We challenged management's assumptions when determining the net sales value based on prevailing market conditions by: • Researching the selling prices from the public available resources and comparing the estimated selling price to the most recent selling price for the properties under presales or the prevailing market price of the same type of properties in the same location; • Analysing the historical selling expenses to selling price ratio, assessing whether management's estimated selling expenses were within such range. We found that management's estimates for provision of properties under development and completed properties held for sale are properly 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 HKFRS 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 HKSA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2018

Consolidated Balance Sheet

(All amounts in RMB thousands unless otherwise stated)

		As at 31 December	
	Note	**2017**	2016
Assets			
Non-current assets			
Property, plant and equipment	6	**7,573,037**	7,309,147
Land use rights	7	**2,073,655**	2,029,966
Intangible assets	8	**155,278**	55,357
Goodwill	8	**1,303,095**	–
Investment properties	9	**5,886,604**	6,326,943
Interests in associates	10	**567,221**	114,461
Interests in joint ventures	11	**6,438,514**	4,624,663
Available-for-sale financial assets	12	**277,500**	277,500
Derivative financial instruments	14	**–**	254,497
Prepayments for acquisition of equity interests	16	**1,078,421**	–
Properties under development	17	**17,826,344**	9,510,651
Receivables from related parties	20	**6,547,559**	4,383,129
Deferred income tax assets	28	**986,760**	699,275
		50,713,988	35,585,589
Current assets			
Derivative financial instruments	14	**–**	307,870
Financial assets at fair value through profit or loss	15	**1,204,478**	–
Properties under development	17	**46,990,187**	36,706,691
Completed properties held for sale	18	**9,915,913**	13,976,133
Prepayments for acquisition of land use rights	19	**5,762,937**	9,614,483
Trade and other receivables	20	**16,396,483**	11,462,643
Prepaid income taxes		**2,253,557**	1,760,871
Restricted cash	21	**11,078,175**	9,878,734
Cash and cash equivalents	22	**19,041,948**	12,431,884
		112,643,678	96,139,309
Total assets		**163,357,666**	131,724,898
Equity			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	23	**3,421,883**	4,290,028
Shares held for Share Award Scheme	24	**(156,588)**	(156,588)
Other reserves	25	**785,400**	3,092,833
Retained earnings		**32,284,542**	28,083,330
		36,335,237	35,309,603
Perpetual Capital Securities	26	**5,529,424**	5,597,503
Non-controlling interests		**2,311,569**	3,248,124
Total equity		**44,176,230**	44,155,230

(All amounts in RMB thousands unless otherwise stated)

		As at 31 December	
	Note	**2017**	2016
Liabilities			
Non-current liabilities			
Derivative financial instruments	14	**4,403**	–
Borrowings	27	**34,529,004**	31,180,908
Deferred income tax liabilities	28	**1,174,595**	1,137,167
		35,708,002	32,318,075
Current liabilities			
Derivative financial instruments	14	**240,845**	–
Borrowings	27	**27,146,235**	12,815,016
Trade and other payables	29	**23,263,952**	21,101,960
Advanced proceeds received from customers		**19,460,971**	10,617,432
Current income tax liabilities		**13,361,431**	10,717,185
		83,473,434	55,251,593
Total liabilities		**119,181,436**	87,569,668
Total equity and liabilities		**163,357,666**	131,724,898

The notes on pages 115 to 203 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 108 to 203 were approved by the Board of Directors on 21 March 2018 and were signed on its behalf by:

Chen Zhuo Lin **Chan Cheuk Hung**

Consolidated Income Statement

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2017	2016
Operation			
Revenue	5	**51,607,059**	46,678,865
Cost of sales	33	**(30,919,581)**	(34,313,168)
Gross profit		**20,687,478**	12,365,697
Selling and marketing costs	33	**(2,258,938)**	(2,097,973)
Administrative expenses	33	**(2,044,294)**	(1,458,191)
Other gains/(losses), net	30	**40,049**	(291,748)
Other income	31	**570,485**	278,662
Other expenses	32	**(396,633)**	(195,880)
Operating profit		**16,598,147**	8,600,567
Finance costs, net	35	**(898,674)**	(1,124,531)
Share of post-tax gains/(losses) of associates	10	**85,953**	(3,375)
Share of post-tax gains of joint ventures	11	**83,388**	10,453
Profit before income tax		**15,868,814**	7,483,114
Income tax expenses	36	**(9,088,536)**	(4,433,480)
Profit for the year		**6,780,278**	3,049,634
Profit attributable to:			
Shareholders of the Company		**6,025,244**	2,283,640
Holders of Perpetual Capital Securities	26	**472,663**	415,263
Non-controlling interests		**282,371**	350,731
		6,780,278	3,049,634
Earnings per share from continuing operations attributable to shareholders of the Company for the year			
(expressed in Renminbi per share)			
— Basic	37	**1.552**	0.588
— Diluted	37	**1.552**	0.588

The notes on pages 115 to 203 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2017	2016
Profit for the year		**6,780,278**	3,049,634
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Currency translation differences		**(6,634)**	(8,226)
Other comprehensive income for the year, net of tax		**(6,634)**	(8,226)
Total comprehensive income for the year		**6,773,644**	3,041,408
Attributable to:			
— Shareholders of the Company		**6,023,307**	2,277,882
— Holders of Perpetual Capital Securities		**472,663**	415,263
— Non-controlling interests		**277,674**	348,263
		6,773,644	3,041,408

The notes on pages 115 to 203 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital and premium (note 23)	Shares held for Share Award Scheme (note 24)	Other reserves (note 25)	Retained earnings	Total	Perpetual Capital Securities (note 26)	Non-controlling interests	Total equity
Balance at 1 January 2017	**4,290,028**	**(156,588)**	**3,092,833**	**28,083,330**	**35,309,603**	**5,597,503**	**3,248,124**	**44,155,230**
Comprehensive income								
Profit for the year	–	–	–	6,025,244	6,025,244	472,663	282,371	6,780,278
Other comprehensive income								
— Currency translation differences	–	–	(1,937)	–	(1,937)	–	(4,697)	(6,634)
Total comprehensive income	–	–	(1,937)	6,025,244	6,023,307	472,663	277,674	6,773,644
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 25)	–	–	403,461	(403,461)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 26)	–	–	–	–	–	(478,867)	–	(478,867)
Redemption of Perpetual Capital Securities (note 26)	–	–	–	–	–	(61,875)	–	(61,875)
Dividends (note 38)	(868,145)	–	–	(1,415,468)	(2,283,613)	–	–	(2,283,613)
Effect of conversion of a subsidiary from a limit liability company into a joint stock company	–	–	5,103	(5,103)	–	–	–	–
Acquisition of additional interest in a subsidiary (note 40(a))	–	–	(3,568,082)	–	(3,568,082)	–	(2,531,300)	(6,099,382)
Changes in ownership interests in subsidiaries without change of control (note 40(b))	–	–	854,022	–	854,022	–	344,615	1,198,637
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	972,456	972,456
Total transactions with shareholders, recognised directly in equity	(868,145)	–	(2,305,496)	(1,824,032)	(4,997,673)	(540,742)	(1,214,229)	(6,752,644)
Balance at 31 December 2017	**3,421,883**	**(156,588)**	**785,400**	**32,284,542**	**36,335,237**	**5,529,424**	**2,311,569**	**44,176,230**

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital and premium (note 23)	Shares held for Share Award Scheme (note 24)	Other reserves (note 25)	Retained earnings	Total	Perpetual Capital Securities (note 26)	Non-controlling interests	Total equity
Balance at 1 January 2016	5,097,967	(156,588)	3,044,577	26,322,308	34,308,264	4,488,659	3,198,064	41,994,987
Comprehensive income								
Profit for the year	–	–	–	2,283,640	2,283,640	415,263	350,731	3,049,634
Other comprehensive income								
— Currency translation differences	–	–	(5,758)	–	(5,758)	–	(2,468)	(8,226)
Total comprehensive income	–	–	(5,758)	2,283,640	2,277,882	415,263	348,263	3,041,408
Total transactions with shareholders, recognised directly in equity								
Issuance of Perpetual Capital Securities (note 26)	–	–	–	–	–	1,093,716	–	1,093,716
Transfer to statutory reserve and enterprise expansion funds (note 25)	–	–	54,014	(54,014)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 26)	–	–	–	–	–	(379,510)	–	(379,510)
Redemption of Perpetual Capital Securities (note 26)	–	–	–	–	–	(20,625)	–	(20,625)
Dividends	(807,939)	–	–	(468,604)	(1,276,543)	–	–	(1,276,543)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(222,807)	(222,807)
Capital injection by non-controlling interests	–	–	–	–	–	–	63,204	63,204
Repurchase of non-controlling interests	–	–	–	–	–	–	(138,600)	(138,600)
Total transactions with shareholders, recognised directly in equity	(807,939)	–	54,014	(522,618)	(1,276,543)	693,581	(298,203)	(881,165)
Balance at 31 December 2016	4,290,028	(156,588)	3,092,833	28,083,330	35,309,603	5,597,503	3,248,124	44,155,230

The notes on page 115 to 203 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2017	2016
Cash flows from operating activities			
Cash generated from operations	39(a)	**13,176,462**	15,011,864
Interest paid		**(3,013,912)**	(2,745,647)
PRC Income tax paid		**(7,210,035)**	(5,379,631)
Net cash generated from operating activities		**2,952,515**	6,886,586
Cash flows from investing activities			
Payments of construction cost of investment properties		**(19,432)**	–
Prepayment of land use rights for development of own used properties		**–**	(141,984)
Investments in associates and joint ventures		**(2,097,270)**	(755,223)
Prepayment for acquisitions of equity interests		**(1,078,421)**	–
Purchases of property, plant and equipment		**(496,029)**	(869,910)
Purchases of intangible assets		**(22,438)**	(12,442)
Proceed received from disposal of investment properties and property, plant and equipment		**313,754**	72,754
Payment for acquisition of subsidiaries through business combination		**(1,628,660)**	–
Repayment of cash advances from joint ventures		**2,553,071**	1,552,905
Cash advances made to related parties		**(3,860,536)**	(3,710,558)
Payment to settle derivative financial instruments		**(14,220)**	–
Payment for acquisition of financial assets at fair value through profit or loss		**(1,043,613)**	–
Interest received		**433,754**	145,769
Purchase of wealth management products		**(2,790,000)**	–
Redemption of wealth management products		**2,790,000**	–
Net cash used in investing activities		**(6,960,040)**	(3,718,689)
Cash flows from financing activities			
Net proceeds from issuance of Perpetual Capital Securities		**–**	1,093,716
Redemption of Perpetual Capital Securities		**(61,875)**	(20,625)
Net proceeds from issuance of senior notes		**1,306,210**	–
Redemption of senior notes		**(10,266,526)**	(4,276,350)
Proceeds from bank borrowings and other borrowings		**39,218,989**	25,277,778
Repayments of bank borrowings and other borrowings		**(15,023,887)**	(27,956,443)
Net proceeds from issuance of PRC domestic bond		**2,976,735**	8,723,030
Net proceeds from issuance of Asset-Backed-Securities		**1,053,653**	975,200
Repayment of Asset-Backed-Securities		**(822,000)**	–
(Increase)/decrease in guarantee deposit for borrowings		**(1,232,000)**	281,092
Cash advances from related parties		**560,018**	286,301
Repayments of cash advances to related parties		**(260,312)**	(556,236)
Transaction with non-controlling interests		**1,198,637**	–
Non-controlling interests on acquisition of subsidiaries		**972,456**	63,204
Repurchase of non-controlling interests		**(6,099,382)**	(138,600)
Distribution to holders of Perpetual Capital Securities		**(478,867)**	(379,510)
Dividends paid to shareholders of the Company		**(2,283,613)**	(1,276,443)
Dividends paid to non-controlling interests		**–**	(222,807)
Net cash generated from financing activities		**10,758,236**	1,873,307
Net increase in cash and cash equivalents		**6,750,711**	5,041,204
Cash and cash equivalents at beginning of the year		**12,431,884**	7,407,450
Exchange losses on cash and cash equivalents		**(140,647)**	(16,770)
Cash and cash equivalents at end of the year	22	**19,041,948**	12,431,884

The notes on pages 115 to 203 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB thousands unless otherwise stated)

1 General information

Agile Group Holdings Limited (the "Company", formerly known as "Agile Property Holdings Limited") is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the "Group") are principally engaged in property development in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 21 March 2018.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, derivative financial instruments, investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- Amendments to HKAS 12 "Income Taxes"
- Amendments to HKAS 7 "Statement of Cash Flows"
- Amendment to HKFRS 12 "Disclosure of Interest in Other Entities"

The adoption of these amendments did not have significant impact on the current period or any prior periods and is not likely to affect future periods.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 15 "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
Amendments to HKFRS 4, Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018 or when the entity first applies HKFRS 9
Amendments to HKFRS 1 "First time adoption of HKFRS"	1 January 2018
Amendments to HKFRS 28 "Investments in associates and joint ventures"	1 January 2018
Amendments to HKFRS 40 "Transfers of investment property"	1 January 2018
HK (IFRIC) 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018
HKFRS 16 "Leases"	1 January 2019
HK (IFRIC) 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

The HKICPA has issued a new standard, HKFRS 15 "Revenue from Contracts with Customers" for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

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 in the PRC 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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted: (continued)

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 transfer, will be recognised at a later point in time when the underlying property is legally or physically transfer to the customer under the control transfer model.

- 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 doesn't 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)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted: (continued)

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.

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.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted: (continued)

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. 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.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations (continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with 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 a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated 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.

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

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 post-tax gains/(losses) of associates" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

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. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions of the Group.

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("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 remeasured. 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 consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated income statement within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other 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 companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

Property, plant 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 consolidated income statement during the financial period in which they are incurred.

When there is a change of use from an investment property to an owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10-60 years
Office equipment	5-10 years
Transportation equipment	4-10 years
Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

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 income statement.

2.8 Construction in progress

Construction in progress represents property under construction and is stated at cost less accumulated impairment loss, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction, if any. No provision for depreciation is made on construction in progress until such times as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2 Summary of significant accounting policies (continued)

2.9 Investment property

Investment property, principally comprising land use rights 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 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, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded as "Fair value gains on investment properties" in the consolidated income statement.

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in accordance with HKAS 16 and its fair value in the same way as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

(i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss.

(ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies (continued)

2.10 Intangible assets (continued)

(b) Trademarks

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 5 years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method over the expected life of 8 years for the customer relationship.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 10 years).

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life 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 Summary of significant accounting policies (continued)

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, available for sale financial assets and financial assets at fair value through profit or loss. 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. Derivatives are also 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.

(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 Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (notes 2.16 and 2.17).

(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.

2.12.2 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 are initially recognised at fair value, and transaction costs are expensed in the consolidated 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.

Derivatives not designated for hedge are categorised as financial assets at fair value through profit or loss. Derivatives are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The change of fair value is recognised immediately in profit or loss within 'finance costs, net".

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

2.12.2 Recognition and measurement (continued)

When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "other gains/(losses), net".

Dividends on available-for-sale equity instruments are recognised in the consolidated 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 equity instruments classified as available for sale are recognised in other comprehensive income.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a 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 the 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.

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 consolidated income statement.

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 consolidated income statement.

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, 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.

2.15 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction 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 the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.16 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 allowance for impairment.

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Perpetual Capital Securities

Perpetual Capital Securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

2 Summary of significant accounting policies (continued)

2.20 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.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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.

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, 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 for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2 Summary of significant accounting policies (continued)

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax and land appreciation tax. Tax is recognised in the consolidated income statement, 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, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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, 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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only 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 ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.24 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. 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 governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme 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.

(c) 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 shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares 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).

2 Summary of significant accounting policies (continued)

2.24 Employee benefits (continued)

(c) Equity-settled share-based payment transactions (continued)

At the end of each reporting period, the Group revises its estimates of the number of shares 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 consolidated income statement, if any, 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.

2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made with the Group companies.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when a group entity has delivered the relevant properties to the purchaser and collectability of related consideration is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition (continued)

(b) Property management

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

(c) Hotel operations

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

(d) Rental income

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

(e) Interest income

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

(f) Dividend income

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

(g) Environmental protection income

Revenue arising from environmental protection is recognised when environmental protection services are rendered.

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.

(i) 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 consolidated income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

Land use rights under operating lease, which mainly comprise land use rights to be developed for hotel properties and own used buildings, are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods.

(iii) The Group is the lessor

Assets leased out under operating leases are included in investment properties in the consolidated balance sheet.

2 Summary of significant accounting policies (continued)

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.29 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC. The Group finances its operations from shareholders' fund, sales of properties, issuance of senior notes, bank and other borrowings. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(i) Currency risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, senior notes, bank borrowings and syndicated loans are in other currencies. As at 31 December 2017, major non-RMB assets and liabilities are cash and cash equivalents, senior notes, bank borrowings and syndicated loans denominated in HK dollar ("HK$"), US dollar ("US$") or Malaysia Ringgit ("MYR"). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has entered into several forward exchange contracts to hedge its exposure to foreign exchange risk during the year ended 31 December 2017.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(i) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group	
	2017	2016
Monetary assets		
— HK$	**821,391**	559,580
— US$	**11,789**	464,644
— MYR	**116,290**	134,971
	949,470	1,159,195
Monetary liabilities		
— HK$	**13,229,383**	7,420,533
— US$	**6,067,231**	13,131,007
— MYR	**1,014,982**	917,135
	20,311,596	21,468,675

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	Group	
	2017	2016
5% increase in RMB against HK$	**621,031**	345,058
5% decrease in RMB against HK$	**(621,031)**	(345,058)
5% increase in RMB against US$	**302,791**	633,337
5% decrease in RMB against US$	**(302,791)**	(633,337)
5% increase in RMB against MYR	**44,935**	39,108
5% decrease in RMB against MYR	**(44,935)**	(39,108)

(ii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Senior notes, and other borrowings at fixed rate expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest-rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2017 and 2016, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2017 and 2016 would increase or decrease by RMB346,238,000 and RMB184,207,000 respectively, mainly as a result of higher or lower interest expense on floating rate borrowings.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, deposits are mainly placed with licensing banks which are all high-credit-quality financial institutions.

For credit exposures to customers, generally, the Group requires full payment from customers before delivery of properties. Credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

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 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and re-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 significantly reduced. Detailed disclosure of these guarantees is made in the note 42.

No significant credit limits were exceeded during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(iv) Liquidity risk

Management 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 and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control 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 etc. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below analyses the Group's financial liabilities maturity profile and derivative financial instruments at the balance sheet date. The amounts disclosed thereon are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2017					
Non-derivatives					
Borrowings	**30,698,679**	**15,111,362**	**17,661,969**	**7,915,696**	**71,387,706**
Trade and other payables(*)	**21,013,781**	**–**	**–**	**–**	**21,013,781**
Total non-derivatives	**51,712,460**	**15,111,362**	**17,661,969**	**7,915,696**	**92,401,487**
Derivatives					
Gross settled (forward foreign exchange contracts)					
— (inflow)	**(24,094)**	**(21,727)**	**–**	**–**	**(45,821)**
— outflow	**264,939**	**26,130**	**–**	**–**	**291,069**
	240,845	**4,403**	**–**	**–**	**245,248**
At 31 December 2016					
Non-derivatives					
Borrowings	14,368,750	14,039,630	18,235,333	5,006,567	51,650,280
Trade and other payables(*)	20,042,372	–	–	–	20,042,372
Total non-derivatives	34,411,122	14,039,630	18,235,333	5,006,567	71,692,652
Derivatives					
Gross settled (forward foreign exchange contracts)					
— (inflow)	(446,729)	(502,822)	–	–	(949,551)
— outflow	138,859	248,325	–	–	387,184
	(307,870)	(254,497)	–	–	(562,367)

* Excluding staff welfare benefit payable and other taxes payable.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(v) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The majority of the Group's equity investments are publicly traded.

Sensitivity

The table below summarises the impact of increases/decreases of price of the stocks, which the Group purchased, on the Group's equity and post-tax profit for the period. The analysis is based on that the stock price increased by 5% and 10% respectively or decreased by 5% and 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	Impact on post tax profit	
	2017	2016
Price of each stock – increase 5%	**50,287**	–
Price of each stock – decrease 5%	**(50,287)**	–
Price of each stock – increase 10%	**100,574**	–
Price of each stock – decrease 10%	**(100,574)**	–

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital risk management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any returns to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

	2017	2016
Total borrowings (note 27)	**61,675,239**	43,995,924
Less: cash and cash equivalents (note 22)	**(19,041,948)**	(12,431,884)
restricted cash (note 21)	**(11,078,175)**	(9,878,734)
Net Borrowings	**31,555,116**	21,685,306
Total equity	**44,176,230**	44,155,230
Gearing ratio	**71.4%**	49.1%

The increase in the gearing ratio during the year ended 31 December 2017 was primarily resulted from the increase in borrowings.

3.3 Fair value estimation

The Group is not holding any financial assets and financial liabilities carried at fair value except for financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments. The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2017, the financial assets at fair value through profit or loss composing of trading securities were stated at fair value. The financial assets were included in level 1 as the assets have been fair valued using quoted prices in an active market.

As at 31 December 2017 and 2016, the derivative financial instruments were stated at fair value. The financial assets were included in level 2 as the assets have been fair valued using forward exchange rates that are quoted in an active market.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

As at 31 December 2017 and 2016, the available-for-sale financial assets were stated at fair value. The financial assets and financial liabilities were included in level 3 as the quantitative information about fair value measurements were using significant unobservable inputs.

As at 31 December 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

As at 31 December 2017, there were no significant reclassifications of financial assets or financial liabilities.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held by hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2017, except for provision for impairment of completed properties of RMB349,126,000 (2016: RMB139,975,000) and properties under development of RMB103,571,000 (2016:nil), no other impairment was provided for long-term asset held for hotel operation.

(ii) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised 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.

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(iii) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

(iv) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 9.

(v) Recoverability of trade receivables

The management assesses the recoverability of trade 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 trade receivable and the impairment charge in the period in which such estimate has been changed.

As at 31 December 2017, except for provision for impairment of RMB7,443,000 (2016: nil), no impairment was provided for trade receivables (2016: nil).

(vi) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in note 8.

As at 31 December 2017, the purchase price allocation on goodwill of environmental companies acquired through business combinations are still in progress and will be completed within 12 months of the acquisition.

(All amounts in RMB thousands unless otherwise stated)

5 Segment information

The executive directors of the Company, which are the chief operating decision-makers 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 reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into five business segments: property development, property management, hotel operations, property investment and others. The associate and joint ventures of the Group are principally engaged in property development and are included in the property development segment. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC. Most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Analysis of revenue from external customers by the category for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
Sales of developed properties	**49,261,750**	44,751,782
Property management services	**1,290,148**	1,068,536
Hotel operations	**683,939**	669,983
Rental income from investment properties	**166,502**	188,564
Others	**204,720**	–
	51,607,059	46,678,865

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (continued)

Segment information provided to the executive directors of the Company for the reporting segments for the years ended 31 December 2017 and 2016 are as follows:

Year ended 31 December 2017

	Property development	Property management	Hotel operations	Property investment	Others	Elimination	Group
Gross segment sales	49,261,750	1,760,753	683,939	166,502	204,720	–	52,077,664
Inter-segment sales	–	(470,605)	–	–	–	–	(470,605)
Sales to external customers	49,261,750	1,290,148	683,939	166,502	204,720	–	51,607,059
Fair value gains on investment properties (note 9)	–	–	–	4,376	–	–	4,376
Operating profit/(loss)	16,205,456	398,417	(57,255)	26,382	25,147	–	16,598,147
Share of post-tax gains of associates (note 10)	85,953	–	–	–	–	–	85,953
Share of post-tax gains of joint ventures (note 11)	83,388	–	–	–	–	–	83,388
Segment result	16,374,797	398,417	(57,255)	26,382	25,147	–	16,767,488
Finance costs, net (note 35)							(898,674)
Profit before income tax							15,868,814
Income tax expenses (note 36)							(9,088,536)
Profit for the year							6,780,278
Depreciation	214,840	7,354	274,497	–	7,687		504,378
Amortisation of land use rights and intangible assets	15,850	8,148	61,295	–	1,401		86,694
Write-down of completed properties held for sale	312,722	–	–	–	–		312,722
Segment assets	142,059,581	2,498,963	8,813,269	5,886,604	1,457,382	(1,802,928)	158,912,871
Unallocated assets							4,444,795
Total assets							163,357,666
Segment assets include:							
Interests in associates (note 10)	567,221	–	–	–	–		567,221
Interests in joint ventures (note 11)	6,438,514	–	–	–	–		6,438,514
Segment liabilities	38,968,256	952,375	4,174,525	33,502	399,193	(1,802,928)	42,724,923
Unallocated liabilities							76,456,513
Total liabilities							119,181,436
Capital expenditure	74,857	29,564	145,301	19,432	274,978		544,132

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2017 as follows:

	Assets	Liabilities
Segment assets/liabilities	**158,912,871**	**42,724,923**
Unallocated:		
Deferred income taxes	**986,760**	**1,174,595**
Prepaid income taxes	**2,253,557**	**–**
Financial assets at fair value through profit or loss	**1,204,478**	**–**
Derivative financial instruments	**–**	**245,248**
Current income tax liabilities	**–**	**13,361,431**
Current borrowings	**–**	**27,146,235**
Non-current borrowings	**–**	**34,529,004**
Total	**163,357,666**	**119,181,436**

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (continued)

Year ended 31 December 2016

	Property development	Property management	Hotel operations	Property investment	Elimination	Group
Gross segment sales	44,751,782	1,453,157	669,983	188,564	–	47,063,486
Inter-segment sales	–	(384,621)	–	–	–	(384,621)
Sales to external customers	44,751,782	1,068,536	669,983	188,564	–	46,678,865
Fair value gains on investment properties (note 9)	–	–	–	42,960	–	42,960
Operating profit/(loss)	8,633,470	303,913	(223,930)	97,740	–	8,811,193
Share of post-tax loss of an associate (note 10)	(3,375)	–	–	–	–	(3,375)
Share of post-tax gains of joint ventures (note 11)	10,453	–	–	–	–	10,453
Gains on disposal of hotel assets	–	–	(210,626)	–	–	(210,626)
Segment result	8,640,548	303,913	(434,556)	97,740	–	8,607,645
Finance costs, net (note 35)						(1,124,531)
Profit before income tax						7,483,114
Income tax expenses (note 36)						(4,433,480)
Profit for the year						3,049,634
Depreciation	218,528	4,824	240,731	–		464,083
Amortisation of land use rights and intangible assets	16,089	598	51,305	–		67,992
Write-down of completed properties held for sale	16,328	–	–	–		16,328
Segment assets	113,775,622	1,827,997	9,286,959	6,326,943	(2,515,136)	128,702,385
Unallocated assets						3,022,513
Total assets						131,724,898
Segment assets include:						
Interest in associates (note 10)	114,461	–	–	–		114,461
Interests in joint ventures (note 11)	4,624,663	–	–	–		4,624,663
Segment liabilities	29,282,533	689,941	4,210,087	51,967	(2,515,136)	31,719,392
Unallocated liabilities						55,850,276
Total liabilities						87,569,668
Capital expenditure	849,135	4,485	230,036	–		1,083,656

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2016 as follows:

	Assets	Liabilities
Segment assets/liabilities	128,702,385	31,719,392
Unallocated:		
Deferred income taxes	699,275	1,137,167
Prepaid income taxes	1,760,871	–
Derivative financial instruments	562,367	–
Current income tax liabilities	–	10,717,185
Current borrowings	–	12,815,016
Non-current borrowings	–	31,180,908
Total	131,724,898	87,569,668

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties, receivables and cash balances. Unallocated assets comprise deferred tax assets, prepaid income taxes, financial assets at fair value through profit or loss and derivative financial instruments. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, land use rights for self-owned properties, investment properties and intangible assets.

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
At 1 January 2016						
Cost	6,239,714	195,923	168,795	193,941	1,076,830	7,875,203
Accumulated depreciation	(866,053)	(127,090)	(121,303)	(108,792)	–	(1,223,238)
Net book amount	5,373,661	68,833	47,492	85,149	1,076,830	6,651,965
Year ended 31 December 2016						
Opening net book amount	5,373,661	68,833	47,492	85,149	1,076,830	6,651,965
Additions	119,096	13,344	11,694	25,462	1,164,995	1,334,591
Transfer of completed construction projects	852,751	–	–	–	(852,751)	–
Transfer from/(to) properties under development	51,874	–	–	–	(22,861)	29,013
Transfer to properties held for sales	(225,963)	–	–	–	–	(225,963)
Disposals	(8,021)	(4,072)	(2,740)	(1,543)	–	(16,376)
Depreciation	(382,548)	(29,122)	(34,170)	(18,243)	–	(464,083)
Closing net book amount	5,780,850	48,983	22,276	90,825	1,366,213	7,309,147
At 31 December 2016						
Cost	7,043,062	183,730	165,541	214,659	1,366,213	8,973,205
Accumulated depreciation	(1,262,212)	(134,747)	(143,265)	(123,834)	–	(1,664,058)
Net book amount	5,780,850	48,983	22,276	90,825	1,366,213	7,309,147
Year ended 31 December 2017						
Opening net book amount	**5,780,850**	**48,983**	**22,276**	**90,825**	**1,366,213**	**7,309,147**
Additions	**220,116**	**6,824**	**35,745**	**35,854**	**203,723**	**502,262**
Acquisition of subsidiaries	**28,039**	**1,055**	**1,510**	**60,532**	**–**	**91,136**
Transfer from investment properties (note 9)	**247,557**	**–**	**–**	**–**	**–**	**247,557**
Disposals	**(61,935)**	**(472)**	**(569)**	**(8,820)**	**(891)**	**(72,687)**
Depreciation	**(438,683)**	**(22,073)**	**(26,056)**	**(17,566)**	**–**	**(504,378)**
Closing net book amount	**5,775,944**	**34,317**	**32,906**	**160,825**	**1,569,045**	**7,573,037**
At 31 December 2017						
Cost	**7,412,424**	**185,215**	**200,852**	**300,402**	**1,569,045**	**9,667,938**
Accumulated depreciation	**(1,636,480)**	**(150,898)**	**(167,946)**	**(139,577)**	**–**	**(2,094,901)**
Net book amount	**5,775,944**	**34,317**	**32,906**	**160,825**	**1,569,045**	**7,573,037**

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment (continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	2017	2016
Cost of sales	**349,111**	333,794
Selling and marketing costs	**36,231**	19,438
Administrative expenses	**119,036**	110,851
	504,378	464,083

Notes:

(a) As at 31 December 2017, buildings of RMB2,713,839,000 (2016: RMB2,182,158,000) were pledged as collateral for the Group's borrowings (note 27).

(b) During the year ended 31 December 2017, the Group has capitalised borrowing costs amounting to RMB4,231,000 (2016: RMB42,438,000) on property, plant and equipment. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6.20%(2016: 7.64%).

(c) Buildings mainly represent the office buildings and hotel buildings. Constructions in progress mainly represent construction costs and other costs incurred for the construction of hotels.

7 Land use rights

	2017	2016
At 1 January	**2,029,966**	1,940,762
Additions	**–**	141,984
Acquisition of subsidiaries	**81,713**	–
Transfer from properties under development (note (b))	**72,346**	75,795
Transfer to properties held for sale	**–**	(63,134)
Disposal	**(41,193)**	(8,934)
Amortisation		
— Capitalised in construction in progress	**(6,233)**	(3,922)
— Recognised as cost of sales (note 33)	**(41,291)**	(42,208)
— Recognised as expenses (note 33)	**(21,653)**	(10,377)
	2,073,655	2,029,966

Notes:

(a) Land use rights comprise cost of acquiring usage rights of certain land, which are located in the PRC, held on leases of over 40 years, and mainly for hotel properties or self-used buildings over fixed periods.

(b) During the year ended 31 December 2017, certain own used land use rights with carrying value of RMB72,346,000 were reclassified from properties under developments as a result of change in development plan(2016: RMB75,795,000 were reclassified from properties under developments).

(c) As at 31 December 2017, land use rights of RMB1,455,257,000 (2016: RMB129,053,000) were pledged as collateral for the Group's borrowings (note 27).

(All amounts in RMB thousands unless otherwise stated)

8 Intangible assets

	Construction license	Computer software	Trademarks (note 41)	Customer relationship (note 41)	Subtotal	Goodwill (note 41)	Total
At 1 January 2016							
Cost	27,274	101,468	–	–	128,742	–	128,742
Accumulated amortisation	(27,274)	(47,068)	–	–	(74,342)	–	(74,342)
Net book amount	–	54,400	–	–	54,400	–	54,400
Year ended 31 December 2016							
Opening net book amount	–	54,400	–	–	54,400	–	54,400
Additions	–	12,442	–	–	12,442	–	12,442
Amortisation	–	(11,485)	–	–	(11,485)	–	(11,485)
Closing net book amount	–	55,357	–	–	55,357	–	55,357
At 31 December 2016							
Cost	27,274	113,910	–	–	141,184	–	141,184
Accumulated amortisation	(27,274)	(58,553)	–	–	(85,827)	–	(85,827)
Net book amount	–	55,357	–	–	55,357	–	55,357
Year ended 31 December 2017							
Opening net book amount	**–**	**55,357**	**–**	**–**	**55,357**	**–**	**55,357**
Additions	**–**	**22,438**	**–**	**–**	**22,438**	**–**	**22,438**
Acquisition of subsidiaries (note (a))	**–**	**–**	**18,000**	**77,000**	**95,000**	**1,303,095**	**1,398,095**
Amortisation (note (c))	**–**	**(10,904)**	**(1,800)**	**(4,813)**	**(17,517)**	**–**	**(17,517)**
Closing net book amount	**–**	**66,891**	**16,200**	**72,187**	**155,278**	**1,303,095**	**1,458,373**
At 31 December 2017							
Cost	**27,274**	**136,348**	**18,000**	**77,000**	**258,622**	**1,303,095**	**1,561,717**
Accumulated amortisation	**(27,274)**	**(69,457)**	**(1,800)**	**(4,813)**	**(103,344)**	**–**	**(103,344)**
Net book amount	**–**	**66,891**	**16,200**	**72,187**	**155,278**	**1,303,095**	**1,458,373**

(All amounts in RMB thousands unless otherwise stated)

8 Intangible assets (continued)

Notes:

(a) Intangible assets through acquisition of subsidiaries

On 30 June 2017, A-Living Services Co., Ltd. ("A-Living") completed its acquisition of 100% of the equity interests in Greenland Property Services Co., Ltd. ("Greenland Property Services") (the "Acquisition") at a consideration of RMB1,000,000,000 (note 41). Total identifiable net assets of Greenland Property Services was amounted to RMB81,033,000, including trademarks of RMB18,000,000 and customer relationship of RMB77,000,000 recognised by the Group.

According to the investment cooperation framework agreement with Greenland Holdings Group Company Limited ("Greenland Holdings"), Greenland Property Services was authorised to use the trademark and brand of "Greenland Property Services" which is held by Greenland Holdings on a royalty-free basis for a period of five years. Management thus considered that the trademark of "Greenland Property Services" is separable and meets the definition of an asset. The useful life of trademark is determined with reference to the royalty-free period.

Customer relationship primarily related to the existing contracts of Greenland Property Services on the acquisition date, and Greenland Property Services' entitlement to the yearly incremental property gross floor areas under management committed by Greenland Holdings for the period from 1 January 2018 to 31 December 2022 according to the investment cooperation framework agreement with Greenland Holdings. A large portion of the existing contracts of Greenland Property Services are with no specific expiration date and the remaining contracts are with contract periods of two to five years. Considering that Greenland Holdings will commit the incremental gross floor areas during the five-year period from 1 January 2018 to 31 December 2022 and termination or non-renewal of property management contracts with the property developers or property owners' association are uncommon, the Group estimates the useful life and determines the amortisation period of the customer relationship to be eight years with reference to its industry experience.

A valuation was performed by an independent valuer to determine the amount of the trademarks and customer relationship. Methods and key assumptions in determining the fair value of trademarks and customer relationship as at 30 June 2017 are disclosed as follow:

	Valuation technique	Discount rate	Expected life of the intangible assets
Trademarks	Discounted cash flow	15%	5 years
Customer relationship	Discounted cash flow	16%	8 years

(b) The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

Goodwill as at 31 December 2017 was comprised of the followings:

	2017	2016
Goodwill arising from acquisition of property management companies (note 41)	918,967	–
Goodwill arising from acquisition of environmental companies (note 41)	384,128	–
	1,303,095	–

Goodwill of RMB918,967,000 arising from the Acquisition was identified as significant and allocated to the property management business operated by Greenland Property Services.

The consideration of RMB1,000,000,000 was based on an arm's-length negotiation taking into account the prospect of the business cooperation between Greenland Holdings and its subsidiaries and a subsidiary of the Group.

(All amounts in RMB thousands unless otherwise stated)

8 Intangible assets (continued)

Notes: (continued)

(b) (continued)

As at 31 December 2017, management performed an impairment assessment on the goodwill and other intangible assets. The recoverable amount of the property management business operated by Greenland Property Services has been assessed by an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budgets covering a seven-year period approved by management. Management extended the five-year projections as suggested by HKAS 36 for additional two years projection based on the considerations as follows:

(i) Based on past experience, termination or non-renewal of property management contracts with the property developers or property owners' association are uncommon. In addition, the monthly property management fee and the percentage of cost to income generated from property management are stable. These provide a reasonable basis for management to forecast cash flows reliably over a longer period.

(ii) During the period from 1 January 2018 to 31 December 2022, the significant increment in projected revenue of Greenland Property Services is primarily attributable to the 10 million sq.m. incremental gross floor areas under management each year according to the investment cooperation framework agreement with Greenland Holdings. Management considered that before the projections move into a long term stable period, such momentum of revenue growth during 2018 to 2022 will continue for another two years after 2022, during which the annual revenue growth rate gradually drops from 30% in year 2022 to 16% in year 2023 and further drops to a normal level of 7% in year 2024.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and other intangible assets:

Revenue 2018 (% annual growth rate)	333%
Revenue 2019 (% annual growth rate)	130%
Revenue – 2020 to 2024 (% annual growth rate)	7%-60%
Gross margin (% of revenue)	23%
Long-term growth rate	3%
Pre-tax discount rate	18%

As at 31 December 2017, the recoverable amount of RMB1,225 million of the property management business operated by Greenland Property Services calculated based on VIU exceeded its carrying value of RMB1,000 million by 225 million. A 4.51% decrease in estimated annual revenue growth rate, a 1.06% decrease in estimated gross margin, a 9.67% decrease in estimated long term growth rate or a 2.88% increase in estimated discount rate, all changes taken in isolation in the VIU calculations, would remove the remaining headroom.

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2017, the directors of a subsidiary of the Group determined that no impairment provision on goodwill and other intangible assets was required as at 31 December 2017.

(c) Amortisation expenses were charged to the following categories in the consolidated income statement:

	2017	2016
Cost of sales	**7,157**	537
Selling and marketing costs	**757**	65
Administrative expenses	**9,603**	10,883
	17,517	11,485

(All amounts in RMB thousands unless otherwise stated)

9 Investment properties

	2017	2016
Opening net book amount	**6,326,943**	6,369,011
Capitalised subsequent expenditure	**19,432**	–
Disposals	**(216,590)**	(85,028)
Transfer to property, plant and equipment (note (h))	**(247,557)**	–
Revaluation gains recognised in consolidated income statement	**4,376**	42,960
Closing net book amount	**5,886,604**	6,326,943

Notes:

(a) The investment properties are located in the PRC and are held on lease of between 30 to 70 years.

(b) Amounts recognised in the consolidated income statement for investment properties:

	2017	2016
Rental income	**166,502**	188,564
Direct operating expenses of investment properties that generated rental income	**(73,206)**	(105,470)
Direct operating expenses of investment properties that did not generate rental income	**(24,403)**	(28,314)
	68,893	54,780

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: nil).

(c) **Fair value hierarchy**

As at 31 December 2017 and 2016, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(d) **Valuation processes of the Group**

The Group's investment properties were valued at 31 December 2017 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the executive directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(All amounts in RMB thousands unless otherwise stated)

9 Investment properties (continued)

Notes: (continued)

(e) Valuation techniques

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers, view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

	Description	Location	Fair value as at 31 December 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	5,649,864	Income capitalisation	Term yields	4%~7.25%
					Reversionary yields	4.5%~8%
					Market rents (RMB/ square meter/month)	35~1,000
	Car park	PRC	236,740	Direct comparison method	Market price (RMB/square meter)	3,161~7,987

	Description	Location	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	6,090,203	Income capitalisation	Term yields	4%~7.25%
					Reversionary yields	4.5%~8%
					Market rents(RMB/ square meter/month)	35~1,000
	Car park	PRC	236,740	Direct comparison method	Market price (RMB/square meter)	3,161-7,987

There are inter-relationships between unobservable inputs.

For office and retail, increase in term yields and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

There are no changes to the valuation technique during the year ended 31 December 2017.

(f) Investment properties pledged as security

As at 31 December 2017, investment properties of RMB4,593,324,000 (2016: RMB4,722,483,000)and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings (note 27).

(All amounts in RMB thousands unless otherwise stated)

9 Investment properties (continued)

Notes: (continued)

(g) **Leasing arrangements**

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 44.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

(h) During the year ended 31 December 2017, certain floor areas of office buildings previously occupied by the Group as offices were transferred from investment properties to property, plant and equipment.

10 Interests in associates

The directors of the Group consider that none of the associates as at 31 December 2017 and 31 December 2016 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

The movement of the interests in associates during the year is as follows:

	2017	2016
Balance as at 1 January	**114,461**	3,375
Addition	**366,807**	114,461
Share of post-tax gains/(losses) of associates	**85,953**	(3,375)
Balance as at 31 December	**567,221**	114,461

The associates are accounted for using the equity method. The Directors consider there are no individually material associates. The aggregate amounts of the Group's shares of the associate are as follows:

	2017	2016
Profit/(loss) from continuing operations	**85,953**	(3,375)
Total comprehensive income	**85,953**	(3,375)

The contingent liabilities relating to the Group's interest in the associate are disclosed in note 42. There is no commitment relating to the Group's interests in the associates.

(All amounts in RMB thousands unless otherwise stated)

11 Interests in joint ventures

The movement of the interest in joint ventures is as follows:

	2017	2016
Balance as at 1 January	**4,624,663**	1,133,448
Addition	**1,730,463**	3,480,762
Share of post-tax gains of joint ventures	**83,388**	10,453
Balance as at 31 December	**6,438,514**	4,624,663

The joint ventures are accounted for using the equity method. The Directors consider there are no individually material joint ventures. The aggregate amounts of the Group's shares of the joint ventures are as follows:

	2017	2016
Profit from continuing operations	**83,388**	10,453
Total comprehensive income	**83,388**	10,453

The contingent liabilities relating to the Group's interests in the joint ventures are disclosed in note 42. There is no commitment relating to the Group's interests in the joint ventures.

12 Available-for-sale financial assets

The amounts represent 2.5% equity interests in a non-listed real estate project company in the PRC and 2% equity interest in a non-listed network technology company in the PRC.

(All amounts in RMB thousands unless otherwise stated)

13 Financial instruments by category

Assets as per consolidated balance sheet

	2017	2016
Loans and receivables		
Trade and other receivables excluding prepaid business taxes and other taxes and prepayments	**21,911,471**	15,273,986
Restricted cash	**11,078,175**	9,878,734
Cash and cash equivalents	**19,041,948**	12,431,884
	52,031,594	37,584,604
Available-for-sale financial assets	**277,500**	277,500
Assets at fair value through the profit or loss		
Financial assets at fair value through the profit or loss	**1,204,478**	–
Derivative financial instruments	**–**	562,367
Total	**53,513,572**	38,424,471

Liabilities as per consolidated balance sheet

	2017	2016
Other financial liabilities at amortised cost		
Borrowings	**61,675,239**	43,995,924
Trade and other payables and accruals, excluding staff welfare benefit payable and other taxes payable	**21,013,781**	20,042,372
	82,689,020	64,038,296
Liabilities at fair value through the profit or loss		
Derivative financial instruments	**245,248**	–
Total	**82,934,268**	64,038,296

(All amounts in RMB thousands unless otherwise stated)

14 Derivative financial instruments

As at 31 December 2017, the Group had the following derivative financial instruments:

	2017	2016
Non-current portion:		
— Forward foreign exchange contracts	**(4,403)**	254,497
Current portion:		
— Forward foreign exchange contracts	**(240,845)**	307,870

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2017 were US$1,535,000,000 and HK$3,700,000,000, approximating to RMB13,122,827,000 in total(2016: US$1,605,000,000 and HK$4,450,000,000, approximating to RMB15,114,455,000).

During the year ended 31 December 2017, decrease in fair value of derivative financial instruments of RMB821,834,000 have been recorded in "finance cost, net" in the consolidated income statement (note 35).

15 Financial assets at fair value through the profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2017	2016
Current assets		
Hong Kong listed equity securities	**1,204,478**	–

Note:

(a) **Amounts recognised in profit or loss**
Increases in fair values of financial assets at fair value through profit or loss amounting to RMB160,865,000 are recorded as "other gains/(losses), net" in consolidated financial statements.

(b) **Risk exposure and fair value measurements**
Information about the Group's exposure to price risk is provided in note 3.1(v). For information about the methods and assumptions used in determining fair value please refer to note 3.3.

(All amounts in RMB thousands unless otherwise stated)

16 Prepayments for acquisition of equity interests

The amounts represent the prepayments for acquisition of equity interests in several third parties.

17 Properties under development

	2017	2016
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	**46,990,187**	36,706,691
— Beyond one operating cycle included under non-current assets	**17,826,344**	9,510,651
	64,816,531	46,217,342
Properties under development comprise:		
— Construction costs and capitalised expenditures	**14,639,021**	14,873,096
— Capitalised interests	**3,517,374**	4,886,108
— Land use rights	**46,660,136**	26,458,138
	64,816,531	46,217,342

Most of the Group's properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings is 6.20% for the year ended 31 December 2017 (2016: 7.64%).

As at 31 December 2017, a provision of RMB103,571,000 was made to write down the properties under development (31 December 2016: nil).

As at 31 December 2017, land use rights included in the properties under development with net book value of RMB14,498,817,000 (2016: RMB6,690,696,000) were pledged as collateral for the Group's borrowings (note 27).

(All amounts in RMB thousands unless otherwise stated)

18 Completed properties held for sale

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2017, a provision of RMB349,126,000 was made to write down the completed properties held for sale (31 December 2016: RMB139,975,000).

As at 31 December 2017, completed properties held for sale of approximately RMB64,491,000 (2016: RMB323,608,000) were pledged as collateral for the Group's bank borrowings (note 27).

19 Prepayments for acquisition of land use rights

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

20 Trade and other receivables

	2017	2016
Trade receivables (note (a))	**6,664,759**	3,601,167
Less: allowance for impairment of trade receivables (note (b))	**(7,443)**	–
Total trade receivables	**6,657,316**	3,601,167
Other receivables due from:		
— An associate (note 45(c))	**2,625,524**	3,210,646
— Joint ventures (note 45(c))	**5,416,625**	3,714,038
— Other related party (note 45(c))	**190,000**	–
— Third parties	**5,799,250**	3,167,764
Prepaid value added taxes and other taxes	**657,806**	274,432
Deposits for acquisition of land use rights	**1,224,012**	1,580,371
Prepayments	**374,765**	297,354
Less: allowance for impairment of other receivables	**(1,256)**	–
Total other receivables	**16,286,726**	12,244,605
Less: other receivables due from related parties – non-current portion	**(6,547,559)**	(4,383,129)
Other receivables-current portion	**9,739,167**	7,861,476

As at 31 December 2017, the fair value of trade and other receivables approximated their carrying amounts.

(All amounts in RMB thousands unless otherwise stated)

20 Trade and other receivables (continued)

Notes:

(a) Trade receivables mainly arose from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. As at 31 December 2017 and 2016, the ageing analysis of the trade receivables based on invoice date is as follows:

	2017	2016
Within 90 days	4,268,721	2,906,859
Over 90 days and within 365 days	2,231,705	486,534
Over 365 days	164,333	207,774
	6,664,759	3,601,167

(b) **Impaired trade receivables**

Included in the Group's trade receivable balance are debtors with carrying amounts of approximately RMB7,443,000 as at 31 December 2017 (2016: nil), which are fully impaired. The Group did not hold any collateral over these balances.

Movements on the provision for impairment of trade receivables are as follows:

	2017	2016
At the beginning of the year	–	–
Provision for receivables impairment	7,792	–
Receivables written off as uncollectable	(349)	–
At the end of the year	7,443	–

(c) **Past due but not impaired**

As at 31 December 2017, trade receivables of RMB433,044,000 (2016: RMB289,765,000) were past due but not impaired. Majority of which are derived from properties sold. As the Group normally holds collateral of the properties before collection of the outstanding balances and passes the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2017 (2016: nil).

The ageing analysis of these trade receivables is as follows:

	2017	2016
Within 90 days	237,224	76,193
Over 90 days and within 365 days	79,863	79,141
Over 365 days	115,957	134,431
	433,044	289,765

(d) The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

(e) The carrying amounts of trade and other receivables are mainly denominated in RMB.

(All amounts in RMB thousands unless otherwise stated)

21 Restricted cash

As at 31 December 2017 and 2016, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC Group entities' RMB denominated bank 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.

As at 31 December 2017 and 2016, restricted cash is mainly comprised of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

22 Cash and cash equivalents

	2017	2016
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	**19,021,778**	12,411,884
Short-term bank deposits	**20,170**	20,000
	19,041,948	12,431,884
Denominated in RMB(note (a))	**18,092,478**	11,272,689
Denominated in other currencies	**949,470**	1,159,195
	19,041,948	12,431,884

Note:

(a) The conversion of the PRC Group entities' RMB denominated bank 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.

23 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at 31 December 2017 and 2016	10,000,000,000	1,000,000			
Movements of issued and fully paid share capital					
Year ended 31 December 2016					
At 1 January 2016	3,917,047,500	391,705	400,253	4,697,714	5,097,967
Dividends	–	–	–	(807,939)	(807,939)
At 31 December 2016	3,917,047,500	391,705	400,253	3,889,775	4,290,028
Year ended 31 December 2017					
At 1 January 2017	**3,917,047,500**	**391,705**	**400,253**	**3,889,775**	**4,290,028**
Dividends (note 38)	**–**	**–**	**–**	**(868,145)**	**(868,145)**
At 31 December 2017	**3,917,047,500**	**391,705**	**400,253**	**3,021,630**	**3,421,883**

24 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30% and second 30% Awarded Shares lapsed effective from 26 August 2015 and 23 August 2016 respectively. Following the confirmation that relevant vesting conditions have not been satisfied on 20 June 2017, the Board resolved in its meeting held on 28 August 2017 that the award of the remaining 40% Awarded Shares lapsed effective from 28 August 2017. The lapsed shares hold in Share Award Scheme will not be cancelled. As at 31 December 2017, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (2016: RMB156,588,000), which was presented within equity in the consolidated balance sheet. For the year ended 31 December 2017, no expenses in relation to the Share Award Scheme were recognised in the consolidated income statement as the performance condition were not fulfilled and no awarded shares were vested (2016: nil).

(All amounts in RMB thousands unless otherwise stated)

25 Other reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Revaluation surplus	Effect of conversion of a subsidiary from a limit liability company into a joint stock company	Acquisition of additional interest in a subsidiary	Changes in ownership interests in subsidiaries without change of control	Translation reserve	Total
Balance at 1 January 2016	442,395	2,568,725	21,337	–	–	–	12,120	3,044,577
Transfer from retained earnings	–	54,014	–	–	–	–	–	54,014
Currency translation difference	–	–	–	–	–	–	(5,758)	(5,758)
Balance as at 31 December 2016	442,395	2,622,739	21,337	–	–	–	6,362	3,092,833
Balance at 1 January 2017	**442,395**	**2,622,739**	**21,337**	**–**	**–**	**–**	**6,362**	**3,092,833**
Transfer from retained earnings	**–**	**403,461**	**–**	**–**	**–**	**–**	**–**	**403,461**
Effect of conversion of a subsidiary from a limit liability company into a joint stock company	**–**	**–**	**–**	**5,103**	**–**	**–**	**–**	**5,103**
Acquisition of additional interest in a subsidiary (note 40(a))	**–**	**–**	**–**	**–**	**(3,568,082)**	**–**	**–**	**(3,568,082)**
Changes in ownership interests in subsidiaries without change of control (note 40(b))	**–**	**–**	**–**	**–**	**–**	**854,022**	**–**	**854,022**
Currency translation difference	**–**	**–**	**–**	**–**	**–**	**–**	**(1,937)**	**(1,937)**
Balance as at 31 December 2017	**442,395**	**3,026,200**	**21,337**	**5,103**	**(3,568,082)**	**854,022**	**4,425**	**785,400**

Notes:

(a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on the Hong Kong Stock Exchange.

(b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC subsidiaries.

(All amounts in RMB thousands unless otherwise stated)

26 Perpetual Capital Securities

On 18 January 2013, the Company issued subordinated perpetual capital securities (the "Perpetual Capital Securities I") with the aggregate principal amount of US$700,000,000. Net proceeds after deducting the issuance cost amounted to US$687,432,500 (equivalent to approximately RMB4,321,938,000). The Perpetual Capital Securities I do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of Perpetual Capital Securities I at the distribution rate as defined in the subscription agreement.

On 27 July 2016, a subsidiary of the Company issued another PRC perpetual capital securities (the "Perpetual Capital Securities II") with the aggregate principal amount of RMB1,100,000,000. Net proceeds after deducting the issuance cost amounted to RMB1,093,716,000. The Perpetual Capital Securities II do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the subsidiary shall make distribution to the holders of Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

Movement of the Perpetual Capital Securities is as follows:

	Principal	Distribution	Total
Balance as at 1 January 2016	4,321,938	166,721	4,488,659
Insurance of perpetual capital securities	1,093,716	–	1,093,716
Profit attributable to holders of Perpetual Capital Securities	–	415,263	415,263
Distribution made to holders of Perpetual Capital Securities	–	(379,510)	(379,510)
Redemption of perpetual capital securities	(20,625)	–	(20,625)
Balance as at 31 December 2016	5,395,029	202,474	5,597,503
Balance as at 1 January 2017	**5,395,029**	**202,474**	**5,597,503**
Profit attributable to holders of Perpetual Capital Securities	**–**	**472,663**	**472,663**
Distribution made to holders of Perpetual Capital Securities	**–**	**(478,867)**	**(478,867)**
Redemption of perpetual capital securities	**(61,875)**	**–**	**(61,875)**
Balance as at 31 December 2017	**5,333,154**	**196,270**	**5,529,424**

Note

(a) As at 31 December 2017, the Company already redeemed certain portion of the outstanding Perpetual Capital Securities II at a redemption price totally RMB61,875,000. No redemption premium was recognised in the consolidated income statement.

(All amounts in RMB thousands unless otherwise stated)

27 Borrowings

	2017	2016
Borrowings included in non-current liabilities:		
Senior notes (note (a))		
— Senior notes issued in 2012 ("2012 Senior Notes") (note (a)(i))	**–**	4,847,305
— Senior notes issued in 2014 ("2014 Senior Notes I") (note (a)(ii))	**–**	3,420,468
— Senior notes issued in 2014 ("2014 Senior Notes II") (note (a)(iii))	**–**	1,985,130
— Senior notes issued in 2015 ("2015 Senior Notes") (note (a)(iv))	**3,230,937**	3,422,665
— Senior notes issued in 2017 ("2017 Senior Notes") (note (a)(v))	**1,283,972**	–
PRC corporate bonds (note (b))	**11,753,036**	8,739,290
Asset-backed securities (note (c))	**1,053,952**	795,386
Long-term syndicated loans		
— secured (note (d))	**5,586,375**	2,275,000
— unsecured (note (e))	**5,530,541**	5,869,958
Long-term bank borrowings		
— secured (note (d))	**15,673,475**	7,060,388
— unsecured (note (e))	**4,165,852**	1,950,334
Other borrowings		
— secured (note (d))	**4,957,000**	2,365,000
— unsecured (note (e))	**1,001,250**	–
Less: current portion of non-current borrowings	**(19,707,386)**	(11,550,016)
	34,529,004	31,180,908
Borrowings included in current liabilities:		
Short-term bank borrowings		
— secured (note (d))	**2,666,301**	–
— unsecured (note (e))	**–**	1,265,000
Short-term other borrowings		
— secured (note (d))	**2,100,000**	–
— unsecured (note (e))	**2,672,548**	–
Current portion of non-current borrowings	**19,707,386**	11,550,016
	27,146,235	12,815,016
Total borrowings	**61,675,239**	43,995,924

Notes:

(a) **Senior notes**

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB1,866,549,000 as at 31 December 2017 (2016: RMB2,708,048,000).

27 Borrowings (continued)

Notes: (continued)

(a) Senior notes (continued)

(i) 2012 Senior Notes

On 20 March 2012, the Company issued 9.875% senior notes with an aggregated nominal value of US$700,000,000 (equivalent to RMB4,406,841,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$686,993,000 (equivalent to RMB4,324,896,000). The 2012 Senior Notes will mature in March 2017. The Company, at its option, can redeem all or a portion of the 2012 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

On 20 March 2017 (the "Redemption Date I"), the Company redeemed the outstanding 2012 Senior Notes in full at a redemption price equal to 100% of the principal amount of the 2012 Senior Notes and the accrued and unpaid interest as of the Redemption Date I. There is no redemption premium recognised in the consolidated income statement.

(ii) 2014 Senior Notes I

On 18 February 2014, the Company issued 8.375% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to RMB3,055,150,000) at 99.499% of face value. The net proceeds, after deducting the issuance costs, amounted to US$487,500,000 (equivalent to RMB2,975,572,000). The 2014 Senior Notes I will mature on 18 February 2019. The Company, at its option, can redeem all or a portion of the 2014 Senior Notes I at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

On 14 September 2017, the Company redeemed the outstanding 2014 Senior Notes I in full at a redemption price plus redemption premium equal to 104.1875% of the principal amount of the 2014 Senior Notes I and the accrued and unpaid interest as of the Redemption Date I. There is US$20,937,500(equivalent to RMB137,997,000) redemption premium recognised in the consolidated income statement.

(iii) 2014 Senior Notes II

On 28 February 2014, the Company issued 6.50% senior notes with an aggregated nominal value of RMB2,000,000,000 at 99.33% of the face value. The net proceeds, after deducting the issuance costs, amounted to RMB1,961,000,000. The 2014 Senior Notes II will mature on 28 February 2017. The Company, at its option, can redeem all or a portion of the 2014 Senior Notes II at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

On 28 February 2017 (the "Redemption Date II"), the Company redeemed the outstanding 2014 Senior Notes II in full at a redemption price equal to 100% of the principal amount of the 2014 Senior Notes II and the accrued and unpaid interest as of the Redemption Date II. There is no redemption premium recognised in the consolidated income statement.

(iv) 2015 Senior Notes

On 21 May 2015, the Company issued 9% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,056,850,000) at 99.507% of the face value. The net proceeds, after deducting the issuance costs, amounted to US$490,391,000(equivalent to approximately RMB2,998,104,000). The 2015 Senior Notes will mature on 21 May 2020. The Company, at its option, can redeem all or a portion of the 2015 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(v) 2017 Senior Notes

On 14 August 2017, the Company issued 5.125% senior notes with an aggregated nominal value of US$200,000,000 (equivalent to approximately RMB1,332,020,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$196,125,000 (equivalent to approximately RMB1,306,210,000). The 2017 Senior Notes will mature on 14 August 2022. The Company, at its option, can redeem all or a portion of the 2017 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(All amounts in RMB thousands unless otherwise stated)

27 Borrowings (continued)

Notes: (continued)

(b) PRC Corporate Bonds

On 11 January 2016, a PRC subsidiary (the "Issuer") of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. The bonds will mature on 11 January 2021. The Issuer shall be entitled to adjust the coupon rate at the end of third year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 29 April 2016, the Issuer issued 5.8% non-public corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,189,200,000. The bonds will mature on 29 April 2020. The Issuer shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 29 July 2016, the Company issued 4.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on 29 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 11 October 2016, the Company issued 4.6% and 5.7% corporate bonds with an aggregate amount of RMB1,800,000,000 and RMB1,200,000,000, respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000 and RMB1,192,500,000, respectively. The bonds will mature on 11 October 2021 and 11 October 2023, respectively. The Company shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 12 July 2017, the Company issued 6.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,976,735,000. The bonds will mature on 12 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

(c) Asset-backed securities

(i) Property Management Asset-backed securities

A PRC subsidiary of the Company engaged in property management entered into Property management asset-backed securities ("PM ABS") arrangement with an assets management company by pledging of the future 5 years' right of receiving management fee for certain properties under its management. On 26 February 2016, the PM ABS was formally established with an aggregate nominal value of RMB1,100,000,000, with a 5-year maturity, amongst which RMB100,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the PM ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB975,200,000. The Group has fully redeemed PM ABS as at 31 December 2017.

(ii) Panyu Asset-backed securities

A PRC subsidiary of the Company engaged in property development entered into Panyu asset-backed securities ("Panyu ABS") arrangement with an assets management company by pledging of the receivables for certain properties under its management. On 1 September 2017, the Panyu ABS was formally established with an aggregate nominal value of RMB1,111,500,000, with a 3-year maturity, amongst which RMB55,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,053,653,000.

(d) As at 31 December 2017, the Group's borrowings were secured by certain of its cash, land use rights, self-used properties, completed properties held for sale, properties under development, investment properties and the shares of subsidiaries and equity interests.

(e) As at 31 December 2017, the unsecured borrowings of RMB15,068,868,000 were jointly guaranteed by certain subsidiaries of the Group.

27 Borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2017	2016
6 months or less	**18,827,452**	12,540,711
6-12 months	**15,096,340**	5,879,971
1-5 years	**27,751,447**	25,575,242
	61,675,239	43,995,924

The carrying amounts of the borrowings with the respective effective interest rates:

	2017		2016	
	RMB'000	**Effective interest rate**	RMB'000	Effective interest rate
Senior notes	**4,514,909**	**9.79%**	13,675,568	10.91%
Bank borrowings, syndicated loans and other borrowings	**57,160,330**	**5.52%**	30,320,356	6.41%
	61,675,239		43,995,924	

The carrying amounts and fair value of the non-current borrowings are as follows:

	2017		2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Senior notes (note(i))	**4,514,909**	**4,816,947**	6,843,133	7,331,715
PRC public corporate bond (note(ii))	**1,594,267**	**1,568,000**	1,588,972	1,590,370
Bank borrowings, syndicated loans and other borrowings and others (note (iii))	**28,419,828**	**28,419,828**	22,748,803	22,748,803
	34,529,004	**34,804,775**	31,180,908	31,670,888

Notes:

(i) The fair value of senior notes is determined directly by references to the price quotations published by the Singapore Exchange Limited and The Stock Exchange of Hong Kong Limited on 31 December 2017, the last dealing date of 2017 and is within level 1 of the fair value hierarchy.

(ii) The fair value of RMB1,600,000,000 PRC corporate bond is determined directly by references to the price quotations published by the China Securities Index Co., Ltd on 31 December 2017, the last dealing date of 2017 and is within level 1 of the fair value hierarchy.

(iii) The fair values of non-current bank borrowings, syndicated loans, other borrowings and others approximate their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted at the average borrowing rate of 5.84% (2016: 6.09%), and are within level 2 of the fair value hierarchy.

(All amounts in RMB thousands unless otherwise stated)

27 Borrowings (continued)

At 31 December 2017, the Group's borrowings were repayable as follows:

	2017	2016
Within 1 year	**27,146,235**	12,815,016
Between 1 and 2 years	**13,331,543**	10,865,904
Between 2 and 5 years	**15,597,739**	15,620,004
Over 5 years	**5,599,722**	4,695,000
	61,675,239	43,995,924

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2017	2016
US dollar	**6,003,501**	11,690,438
HK dollar	**13,217,466**	7,228,543
Renminbi	**41,806,931**	24,482,885
MYR	**647,341**	594,058
	61,675,239	43,995,924

The Group has the following undrawn borrowing facilities:

	2017	2016
Floating rate:		
— Expiring beyond one year	**8,605,234**	2,399,921

(All amounts in RMB thousands unless otherwise stated)

28 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2017	2016
Deferred income tax assets to be recovered after more than 12 months	**962,106**	776,604
Deferred income tax assets to be recovered within 12 months	**194,611**	97,636
Set-off of deferred tax liabilities pursuant to set-off provisions	**(169,957)**	(174,965)
	986,760	699,275
Deferred tax income liabilities to be settled after more than 12 months	**(1,331,097)**	(1,312,132)
Deferred tax income liabilities to be settled within 12 months	**(13,455)**	–
Set-off of deferred tax liabilities pursuant to set-off provisions	**169,957**	174,965
	(1,174,595)	(1,137,167)
Deferred income tax liabilities, net	**(187,835)**	(437,892)

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 tax assets – tax losses	Deferred tax assets – write-down of completed held for sale properties and properties under development	Deferrd tax assets – unrealised profit on intra-group transactions	Deferred tax liabilities – excess of carrying amount of investment properties and property, plant and equipment over the tax bases	Deferred tax liabilities – excess of carrying amount of intangible assets over the tax bases	Deferred tax liabilities – excess of fair value of financial assets over the tax bases	Deferred tax liabilities – excess of carrying amount of land use right over the tax bases	Net
At 1 January 2016	562,124	30,912	51,483	(1,062,280)	–	–	(255,829)	(673,590)
Credited/(charged) to the consolidated income statement	214,480	4,082	11,159	(1,592)	–	–	7,569	235,698
At 31 December 2016	776,604	34,994	62,642	(1,063,872)			(248,260)	(437,892)
Acquisition of a subsidiary (note 41)	748	–	–	–	(23,750)	–	–	(23,002)
Credited/(charged) to the consolidated income statement	71,579	78,181	131,969	8,671	1,653	(26,543)	7,549	273,059
At 31 December 2017	848,931	113,175	194,611	(1,055,201)	(22,097)	(26,543)	(240,711)	(187,835)

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 tax assets of RMB259,367,000 (2016: RMB193,337,000) in respect of tax losses amounting to RMB1,037,468,000 (2016: RMB773,348,000) that can be carried forward against future taxable income. Tax losses of approximately RMB42,256,000, RMB137,856,000, RMB525,860,000 and RMB331,496,000 will expire in 2019, 2020, 2021 and 2022 respectively.

(All amounts in RMB thousands unless otherwise stated)

28 Deferred income tax (continued)

Deferred income tax liabilities of RMB1,252,417,000 (2016: RMB1,287,315,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB25,048,340,000 (2016: RMB25,746,300,000) of certain subsidiaries. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to the oversea intermediate holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

29 Trade and other payables

	2017	2016
Trade payables (note (a))	**13,778,090**	12,473,834
Other payables due to:		
— Related parties (note 45 (c))	**3,386,339**	3,086,633
— Third parties	**2,282,098**	3,208,254
Staff welfare benefit payable	**583,285**	279,262
Accruals	**1,567,254**	1,273,651
Other taxes payable	**1,666,886**	780,326
	23,263,952	21,101,960

Notes:

(a) The ageing analysis of the trade payables of the Group as at 31 December 2017 and 2016 is as follows:

	2017	2016
Within 90 days	**11,550,349**	10,732,805
Over 90 days and within 180 days	**1,731,714**	1,402,486
Over 180 days and within 365 days	**391,199**	250,759
Over 365 days	**104,828**	87,784
	13,778,090	12,473,834

(All amounts in RMB thousands unless otherwise stated)

30 Other gains/(losses), net

	2017	2016
Fair value gains on financial assets at fair value through profit or loss (note 15)	**160,865**	–
Fair value gains on investment properties(note 9)	**4,376**	42,960
Exchange losses, net (note (a))	**(140,647)**	(16,770)
Losses/Reversal of gains on disposal of property, plant and equipment and investment properties	**(16,716)**	(317,938)
Others	**32,171**	–
	40,049	(291,748)

Note:

(a) Amount mainly represents the loss of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss related to borrowings which are included in the "finance costs, net" (note 35).

31 Other income

	2017	2016
Interest income (note (a))	**284,371**	145,769
Interest income from related parties (note 45(b))	**149,383**	–
Forfeited deposits from customers	**30,391**	41,968
Miscellaneous	**106,340**	90,925
	570,485	278,662

Note:

(a) Interest income was derived from bank deposit and wealth management products from reputable PRC banks with interest rate and a short term maturity of approximately 13 to 36 days.

32 Other expenses

	2017	2016
Charitable donations	**168,946**	81,064
Early redemption cost of senior notes and PM ABS	**150,997**	–
Miscellaneous	**76,690**	114,816
	396,633	195,880

(All amounts in RMB thousands unless otherwise stated)

33 Expenses by nature

	2017	2016
Cost of properties sold – including construction cost, land cost and capitalised interests	**28,371,626**	31,143,528
Employee benefit expenses – including directors' emoluments (note 34)	**2,233,065**	1,834,550
— property development	**1,146,529**	921,756
— property management	**773,371**	684,651
— hotel operations	**255,016**	228,143
— others	**58,149**	–
Commission fee	**1,122,773**	900,521
Advertising costs	**620,694**	887,687
Depreciation (note 6)	**504,378**	464,083
Business taxes and other levies on sales of properties (note (a))	**394,444**	1,068,609
Other taxes	**343,955**	285,432
Utilities	**173,374**	151,330
Cleaning expenses	**138,891**	131,846
Maintenance costs	**85,448**	75,805
Operating lease payments	**67,109**	59,431
Amortisation of land use rights (note 7)	**62,944**	52,585
Auditors' remuneration	**15,971**	12,568
— Audit services	**8,500**	7,000
— Other reporting accountant services	**1,300**	–
— Non-audit services	**6,171**	5,568
Amortisation of intangible assets (note 8)	**17,517**	11,485
Others	**1,070,624**	789,872
Total cost of sales, selling and marketing costs and administrative expenses	**35,222,813**	37,869,332

Note:

(a) The Group was subject to business taxes of 5% and other levies on their revenues from sales of properties in the PRC by 30 April 2016. Effective from 1 May 2016, the proceeds arising from sales of properties in PRC are subject to value added taxes other levies.

(All amounts in RMB thousands unless otherwise stated)

34 Employee benefit expense

	2017	2016
Wages and salaries	**1,894,238**	1,580,285
Pension costs — statutory pension (note (a))	**134,671**	99,138
Staff welfare	**55,107**	33,247
Medical benefits	**33,863**	27,094
Other allowances and benefits	**115,186**	94,786
	2,233,065	1,834,550

Notes:

(a) 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2016: two) directors whose emoluments are reflected in the analysis shown in note 50. The emoluments payable to the remaining three (2016: three) individuals during the year are as follows:

	2017	2016
Salaries and bonuses	**24,623**	15,724

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK dollar)		
HK$3,500,001 – HK$4,000,000	**–**	1
HK$5,500,001 – HK$6,000,000	**–**	1
HK$7,000,001 – HK$7,500,000	**–**	–
HK$7,500,001 – HK$8,000,000	**1**	–
HK$8,500,001 – HK$9,000,000	**1**	–
HK$9,000,001 – HK$9,500,000	**–**	1
HK$10,000,001 – HK$10,500,000	**–**	–
HK$11,000,001 – HK$11,500,000	**–**	–
HK$11,500,001 – HK$12,000,000	**1**	–

(c) During the years ended 31 December 2017 and 2016, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

(All amounts in RMB thousands unless otherwise stated)

35 Finance costs, net

	2017	2016
Interest expense:		
— Bank borrowings, syndicated loans and other borrowings	**(1,927,867)**	(1,551,116)
— Senior notes	**(740,783)**	(1,440,313)
— PRC Corporate Bonds and ABS	**(644,624)**	(283,905)
Less: interest capitalised	**2,050,016**	2,638,341
Exchange gains/(losses) from borrowings	**1,186,418**	(1,200,461)
Less: exchange losses capitalised	**–**	150,556
Changes in fair value of derivative financial instruments (note 14)	**(821,834)**	562,367
	(898,674)	(1,124,531)

36 Income tax expenses

	2017	2016
Current income tax:		
— PRC corporate income tax	**3,548,589**	2,207,745
— PRC land appreciation tax	**5,289,831**	2,609,851
— PRC withholding income tax	**523,175**	(148,418)
Deferred income tax (note 28)		
— PRC corporate income tax	**(299,602)**	(235,698)
— Hong Kong profit tax	**26,543**	–
	9,088,536	4,433,480

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries or regions of the group entities as follows:

	2017	2016
Profit before income tax	**15,868,814**	7,483,114
Tax calculated at tax rates applicable to profits in the respective entities of the Group	**3,953,530**	1,870,779
Tax effects of:		
— Associates' results reported net of tax	**(21,488)**	844
— Joint ventures' results reported net of tax	**(20,847)**	(2,613)
— Income not subject to income tax (note (a))	**(35,947)**	(144,729)
— Expenses not deductible for income tax (note (b))	**639,866**	768,764
— PRC land appreciation tax deductible for calculation of income tax purposes	**(1,322,458)**	(652,463)
— Tax losses for which no deferred income tax asset was recognised	**82,874**	131,465
PRC corporate income tax	**3,275,530**	1,972,047
PRC withholding income tax	**523,175**	(148,418)
PRC land appreciation tax	**5,289,831**	2,609,851
	9,088,536	4,433,480

(All amounts in RMB thousands unless otherwise stated)

36 Income tax expenses (continued)

Notes:

(a) Income not subject to income tax for the years ended 31 December 2017 and 2016 mainly comprise the interest income of bank deposits.

(b) Expenses not deductible for income tax for the years ended 31 December 2017 mainly comprise administrative expense of domestic companies over deduction limits, donations made to non-official public welfare institutions, exchange loss and expenses of the group entities in Hong Kong and Malaysia (2016: same).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

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 of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

PRC withholding income tax

According to the CIT 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 of 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfill requirements under the tax treaty arrangements between the PRC and Hong Kong.

During the year ended 31 December 2017, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfill the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

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. group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

Except for provision for the fair value gains of financial assets at fair value through profit or loss, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

(All amounts in RMB thousands unless otherwise stated)

37 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2017	2016
Profit attributable to shareholders of the Company	**6,025,244**	2,283,640
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	**3,882,578**	3,882,578
Basic earnings per share (RMB per share)	**1.552**	0.588

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. From the years ended 31 December 2017 and 2016, there was no diluted potential ordinary share, diluted earnings per share equally to basic earnings per share.

38 Dividends

	2017	2016
Interim dividend paid of HK$0.22 (2016: nil) per ordinary share (note (a))	**740,881**	–
Less: Dividend for shares held for Share Award Scheme	**(6,269)**	–
	734,612	–
Proposed final dividend of HK$0.68 (2016: HK$0.20) per ordinary share (note (b))	**2,147,921**	694,516
Distributed special dividend (2016: HK$0.25) per ordinary share (note (b))	**–**	868,145
Less: Dividend for shares held for Share Award Scheme	**(18,902)**	(13,660)
	2,129,019	1,549,001

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2017 of HK$0.22 per ordinary share, approximately HK$861,750,000 (equivalent to RMB740,881,000) was declared by the Board of Directors of the Company (2016: nil).

(b) A final dividend in respect of 2016 of HK$0.20 per ordinary share and a special dividend of HK$0.25 per ordinary share, approximately HK$1,762,671,000 (equivalent to RMB1,562,661,000) was declared at the Annual General Meeting of the Company on 8 May 2017, of which HK$15,512,000 (equivalent to RMB13,660,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings and the special dividend has been distributed out of the Company's share premium.

A final dividend in respect of 2017 of HK$0.68 per ordinary share have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 14 May 2018. The final dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected these dividends payable.

(All amounts in RMB thousands unless otherwise stated)

39 Cash flow information

(a) Cash generated from operations

	2017	2016
Profit for the year	**6,780,278**	3,049,634
Adjustments for:		
Taxation	**9,088,536**	4,433,480
Interest income (note 31)	**(433,754)**	(145,769)
Depreciation (note 6)	**504,378**	464,083
Amortisation of intangible assets (note 8)	**17,517**	11,485
Amortisation of land use rights (note 7)	**62,944**	52,585
Write-down of completed properties held for sale and properties under development	**312,722**	16,328
Losses/Reverse of gains on disposal of investment properties and property, plant and equipment	**16,716**	317,938
Net exchange losses	**140,647**	16,770
Fair value gains on investment properties	**(4,376)**	(42,960)
Share of post-tax (gains)/losses of associates	**(85,953)**	3,375
Share of post-tax gains of joint ventures	**(83,388)**	(10,453)
Finance costs, net (note 35)	**898,674**	1,124,531
Fair value gains or losses through profit and loss	**(160,865)**	–
Redemption cost	**150,997**	–
Changes in working capital:		
Property under development and completed properties held for sales	**(14,924,037)**	9,032,755
Prepayments for acquisition of land use rights	**3,851,546**	(4,073,603)
Restricted cash	**32,559**	(4,430,184)
Trade and other receivables	**(5,611,628)**	(2,148,548)
Trade and other payables and accruals	**3,779,410**	3,833,561
Advanced proceeds received from customers	**8,843,539**	3,506,856
Cash generated from operations	**13,176,462**	15,011,864

(All amounts in RMB thousands unless otherwise stated)

39 Cash flow information (continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

Net debt

	2017	2016
Cash and cash equivalents	**19,041,948**	12,431,884
Financial assets at fair value through profit or loss	**1,204,478**	–
Borrowings – repayable within one year	**(27,146,235)**	(12,815,016)
Borrowings – repayable after one year	**(34,529,004)**	(31,180,908)
Net debt	**(41,428,813)**	(31,564,040)
Cash and cash equivalents	**19,041,948**	12,431,884
Financial assets at fair value through profit or loss	**1,204,478**	–
Gross debt – fixed interest rates	**(27,051,445)**	(25,568,924)
Gross debt – variable interest rates	**(34,623,794)**	(18,427,000)
Net debt	**(41,428,813)**	(31,564,040)

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings	Other payables-related parties	Dividends	Total
As at 1 January, 2017	**43,995,924**	**3,086,633**	**351**	**47,082,908**
Cash flows				
— Inflow from financing activities	**44,555,587**	**560,018**	**–**	**45,115,605**
— Outflow from financing activities	**(25,961,416)**	**(260,312)**	**(2,283,613)**	**(28,505,341)**
Non-cash changes				
— Finance expense recognised	**(785,146)**	**–**	**–**	**(785,146)**
— Other expenses	**(150,997)**	**–**	**–**	**(150,997)**
— Accrued dividends	**–**	**–**	**2,283,613**	**2,283,613**
— Other non-cash movement	**21,287**	**–**	**17**	**21,304**
As at 31 December, 2017	**61,675,239**	**3,386,339**	**368**	**65,061,946**

(All amounts in RMB thousands unless otherwise stated)

40 Transactions with non-controlling interests

(a) Acquisition of additional interest in a subsidiary

On 9 May 2017, Crown Golden Investments Limited (now known as Hainan Clearwater Bay Holdings Limited ("Hainan Clearwater Bay"), a subsidiary of the Company, entered into a sell and purchase agreement with the non-controlling interest shareholder, pursuant to which, Hainan Clearwater Bay would repurchase 30% of its own issued share held by the non-controlling interest shareholder at the consideration of US$900,000,000 (approximately RMB6,099,382,000) and cancel the same shares subsequently (the "Transaction").

On 20 July 2017, the Transaction was completed. The carrying amount of the non-controlling interests in Hainan Clearwater Bay on the date of acquisition was RMB2,531,300,000. The Group recognised a decrease in non-controlling interests of RMB2,531,300,000 and a decrease in other reserve of the Company of RMB3,568,082,000. The effect of changes in the ownership interest of Hainan Clearwater Bay on the equity attributable to owners of the Company during the year is summarised as follows:

Consideration paid to non-controlling interests	(6,099,382)
Carrying amount of non-controlling interests acquired	2,531,300
Excess of consideration paid recognised within equity (note 25)	(3,568,082)

As at 31 December 2017, the consideration had been fully settled.

(b) Changes in ownership interests in subsidiaries without change of control

On 26 July 2017, A-Living and Gongqingcheng A-Living Investment Management Limited Partnership ("Gongqingcheng Investment") entered into a capital increase agreement, pursuant to which Gongqingcheng Investment agreed to subscribe for 8,000,000 shares of A-Living ("Shares") at a consideration of RMB200,000,000 by way of capital injection in A-Living of the amount of such capital injection was paid up on 31 July 2017.

On 10 August 2017, Deluxe Star International Limited and Zhongshan A-Living Enterprise Management Services Co., Ltd. entered into respective capital increase agreements with each of Ningbo Lvjin Investment Management Co., Ltd ("Ningbo Lvjin") and Greenland Financial Overseas Investment Group Ltd. ("Greenland Overseas"), pursuant to which Ningbo Lvjin and Greenland Overseas agreed to subscribe for 10,000,000 Shares and 10,000,000 Shares respectively at a subscription price of and RMB500,000,000 and HKD584,795,322 (approximately RMB498,637,000) respectively. The payment for the subscriptions was completed on 11 August 2017 and 15 August 2017, respectively.

The effect of changes in the ownership interest of A-Living on the equity attributable to owners of the Group during the year is summarised as follows:

Consideration received from non-controlling interests	1,198,637
Carrying amount of net asset attributed to non-controlling interests	(344,615)
Excess of consideration paid from non-controlling interests and recognised within equity (note 25)	854,022

(All amounts in RMB thousands unless otherwise stated)

41 Business combination

(a) Business combination of A-Living

On 30 June, 2017, A-Living completed its acquisition of 100% of the equity interests in Greenland Property Services at a consideration of RMB1,000,000,000.

Goodwill of RMB918,967,000 primarily arose from the expected future development of Greenland Property Services' business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. Goodwill recognised is not expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Greenland Property Services, the fair value of assets acquired, liabilities assumed at the acquisition date.

At 30 June, 2017

— Consideration (note (a))	1,000,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	18,818
Property, plant and equipment	84
Trademarks (included in other intangible assets) (note (b))	18,000
Customer relationship (included in other intangible assets) (note (b))	77,000
Deferred income tax assets	748
Inventories	45
Trade and other receivables	95,427
Trade and other payables	(103,891)
Deferred income tax liabilities	(23,750)
Current income tax liabilities	(1,448)
Total identifiable net assets	81,033
Goodwill (note 8)	918,967

(All amounts in RMB thousands unless otherwise stated)

41 Business combination (continued)

(a) Business combination of A-Living (continued)

(i) As at 30 June 2017, 51% of the consideration (equivalent to RMB510,000,000) was paid by the Group. The remaining consideration of RMB490,000,000 was paid on 10 August 2017.

(ii) Had Greenland Property Services been consolidated from 1 January 2017, the consolidated statements of comprehensive income for the year ended 31 December 2017 would show pro-forma revenue of RMB1,821,227,000 and profit of RMB295,473,000.

(iii) Other intangible assets including trademarks of RMB18,000,000 and customer relationship of RMB77,000,000 in relation to the acquisition of Greenland Property Services have been recognised by the Group.

(iv) Net cash outflow arising on acquisition during the year ended 31 December, 2017:

Cash consideration paid	(1,000,000)
Cash and cash equivalents acquired at the acquisition date	18,818
	(981,182)

(b) Business combination of environmental companies

(i) The Group acquired the equity interests of environmental companies by the total consideration of RMB732,091,000. Since the acquisitions of such environmental companies occurred in the second half year of 2017, management is in the view of accounting for the business combination using provisionally determined amounts for goodwill of RMB384,128,000 (note 8) arising from business combination, being the difference between the consideration paid and fair value of net assets acquired.

(ii) Net cash outflow arising on acquisition during the year ended 31 December, 2017:

Cash consideration paid	(732,091)
Cash and cash equivalents acquired at the acquisition date	84,613
	(647,478)

(All amounts in RMB thousands unless otherwise stated)

42 Financial guarantee

	2017	2016
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	**38,570,768**	33,293,628
Guarantee in respect of borrowings of an associate (note (b) and note 45(b))	**496,000**	1,015,920
Guarantee in respect of borrowings of joint ventures (note (c) and note 45(b))	**1,566,400**	1,280,000
	40,633,168	35,589,548

Notes:

(a) The Group has cooperated with certain financial institutions to arrange mortgage loan facilities for its purchasers of properties and provide guarantees to secure obligations of such purchasers for repayments. As at 31 December 2017, the outstanding guarantees amounted to RMB38,570,768,000 (2016: RMB33,293,628,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the associate was RMB964,312,000 as at 31 December 2017 (2016: RMB359,404,000).

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the joint ventures was RMB455,825,000 as at 31 December 2017 (2016: RMB523,884,000).

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 any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

(b) The company and the other four PRC real estate developers have evenly provided certain guarantees, in proportion of their shareholding in Li He (note 10), in respect of loan facilities of Li He amounting to RMB2,480,000,000 (2016: RMB5,079,600,000), the Group's share of the guarantee amounted to RMB496,000,000 (2016: RMB1,015,920,000).

(c) Several subsidiaries of the Group and joint venture counter parties have provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loan facilities amounting to RMB5,472,800,000 (2016: RMB4,810,000,000). The Group's share of the guarantees amounted to RMB1,566,400,000 (2016: RMB1,280,000,000).

(All amounts in RMB thousands unless otherwise stated)

43 Commitments

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
Property, plant and equipment:		
— Not later than one year	**73,602**	34,998
— Later than one year and not later than five years	**221,483**	121,915
	295,085	156,913

	2017	2016
Lease of areas adjacent to the property development projects:		
— Not later than one year	**800**	750
— Later than one year and not later than five years	**3,700**	3,500
— Later than five years	**30,000**	31,000
	34,500	35,250

	2017	2016
Lease of the land use right for ancillary facilities:		
— Not later than one year	**2,131**	1,937
— Later than one year and not later than five years	**8,525**	8,452
— Later than five years	**24,292**	26,224
	34,948	36,613

(b) Other commitments

	2017	2016
Contracted but not provided for		
— Property development activities	**23,772,937**	21,013,061
— Acquisition of land use rights	**6,430,182**	762,214
	30,203,119	21,775,275

(All amounts in RMB thousands unless otherwise stated)

44 Future minimum rental payments receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2017	2016
Not later than one year	**159,096**	170,295
Later than one year and not later than five years	**435,534**	541,436
Over five years	**213,554**	305,826
	808,184	1,017,557

45 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Top Coast Investment Limited	The ultimate holding Company of the Group
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the "Founding Shareholders")	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (i)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i)) 中山市雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Guangzhou Li He Property Development Co., Ltd. ("Li He") (note (i)) 廣州利合房地產開發有限公司	Associate of the Group
Tianjin Jinnan Xincheng Real Estate Development Company Limited ("Tianjin Jinnan") (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. ("Zhongshan Yahong") (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. ("Huadu Yazhan") (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. ("Changsha Shangcheng") (note (i)) 長沙上城置業有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

45 Related party transactions (continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Guangxi Fuya Investments Ltd. ("Guangxi Fuya") (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Charm Talent Limited ("Charm Talent") 煌迪有限公司	Joint venture of the Group
Zhongshan Shiguang Chuangjian Real Estate Development Co., Ltd. ("Shiguang Zhiye") (note (i)) 中山市世光創建置業有限公司	Joint venture of the Group
Zhongshan Haide Real Estate Development Co., Ltd. ("Zhongshan Haide") (note (i)) 中山市海德房地產開發有限公司	Joint venture of the Group
Zhongshan Dongcheng Development Co., Ltd ("Zhongshan Dongcheng") (note (i)) 中山市東城實業發展有限公司	Joint venture of the Group
Zhongshan Mingtai Real Estate Development Co., Ltd. (Zhongshan Mingtai") (note (i)) 中山市名泰房地產開發有限公司	Joint venture of the Group
Suzhou Agile Property Development Co., Ltd ("Suzhou Agile") (note (i)) 蘇州雅居樂置業有限公司	Joint venture of the Group
Foshan Yazhan Real Estate Development Co., Ltd ("Foshan Yazhan") (note (i)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Wuhan Changkai Property Development Co., Ltd ("Wuhan Changkai") (note (i)) 武漢長凱物業發展有限公司	Joint venture of the Group
Shanghai Canzhou Environment Engineering Co., Ltd ("Shanghai Canzhou") (note(i)) 上海燦州環境工程有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd ("Zhongshan Zhili") (note(i)) 中山市志力置業有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

45 Related party transactions (continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Zhongshan Jucheng Property Development Co., Ltd. ("Zhongshan Jucheng") (note(i)) 中山市鉅成實業有限公司	Joint venture of the Group
Zhongshan Bosheng Real Estate Development Co., Ltd. ("Zhongshan Bosheng")(mote(i)) 中山市鉑晟房地產開發有限公司	Joint venture of the Group
Zhongshan Wenhua Real Estate Co.,Ltd. ("Zhongshan Wenhua") (note(i)) 中山市文華房地產有限公司	Joint venture of the Group
Zhongshan Minsen Real Estate Development Co., Ltd. ("Zhongshan Minsen") (note(i)) 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. ("Hainan Yahong") (note(i)) 海南雅宏旅遊置業有限公司	Joint venture of the Group
Hainan Yahai Travel Development Co., Ltd. ("Hainan Yahai") (note(i)) 海南雅海旅遊發展有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Developement Co., Ltd. ("Zhongshan Yingxuan") (note(i)) 中山市盈軒房地產開發有限公司	Joint venture of the Group
Changzhou Yajing Real Estate Development Co., Ltd. ("Changzhou Yajing") (note(i)) 常州雅勁房地產開發有限公司	Joint venture of the Group
Zhongshan Hehua Hotel Co., Ltd. ("Zhongshan Hehua") (note(i)) 中山市和華酒店有限公司	Joint venture of the Group
Gongqingcheng Investment 共青城投資	Controlled by a key management personnel of the Group

Note (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

(All amounts in RMB thousands unless otherwise stated)

45 Related party transactions (continued)

(b) Transactions with related parties

During the years ended 31 December 2017 and 2016, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business:

	2017	2016
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd.(note (i))	**1,819**	2,151
Golf facilities service fee charged by Zhongshan Changjiang Golf Course (note (i))	**756**	–
	2,575	2,151

	2017	2016
Interest income from related parties		
— Wuhan Changkai (note (ii))	**81,031**	–
— Hainan Yahai (note (ii))	**53,285**	–
— Foshan Yazhan (note (ii))	**8,561**	–
— Zhongshan Minsen (note (ii))	**3,666**	–
— Hainan Yahong (note (ii))	**2,840**	–
	149,383	–

	2017	2016
Providing guarantee for borrowings of related parties (note 42(c))		
— Li He	**496,000**	1,015,920
— Foshan Yazhan	**250,000**	–
— Tianjin Jinnan	**1,170,000**	1,125,000
— Guangxi Fuya	**20,000**	120,000
— Zhongshan Minsen	**70,000**	–
— Changsha Shangcheng	**56,400**	35,000
	2,062,400	2,295,920

Key management compensation

Key management includes executive directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	2017	2016
— Salaries and other short-term employee benefits	**53,178**	36,057
— Retirement scheme contributions	**178**	134
	53,356	36,191

(All amounts in RMB thousands unless otherwise stated)

45 Related party transactions (continued)

(b) Transactions with related parties (continued)

Notes:

(i) Restaurant and hotel service fees, golf facilities service fee and rental fee 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. In the opinion of the directors of the Company, the above 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.

(ii) Interest income were charged in accordance with the terms of the loan contracts which, in the agreement of the related parties and the Company.

(c) Balances with related parties

As at 31 December 2017 and 2016, the Group had the following significant non-trade balances with related parties:

	2017	2016
Due from an associate		
— Li He (note (i))	**2,625,524**	3,210,646

	2017	2016
Due from joint ventures		
— Zhongshan Yahong (note (ii))	**2,118**	22,118
— Changsha Shangcheng (note (iii))	**185,310**	500,310
— Huadu Yazhan (note (ii))	**–**	251,982
— Guangxi Fuya (note (ii))	**10,000**	10,000
— Foshan Yazhan (note (iv))	**145**	240,336
— Shiguang Zhiye (note (v))	**368,747**	468,247
— Zhongshan Haide (note (v))	**77,002**	644,172
— Zhongshan Dongcheng (note (v))	**28,176**	28,176
— Zhongshan Mingtai (note (v))	**31,888**	31,888
— Zhongshan Zhili (note (iii))	**123,123**	–
— Zhongshan Jucheng (note (iii))	**251,970**	–
— Zhongshan Bosheng (note (iii))	**210,664**	–
— Zhongshan Wenhua (note (iii))	**90,574**	–
— Zhongshan Hehua (note (iii))	**128,117**	–
— Suzhou Agile (note (iii))	**966,757**	977,630
— Ruri Jiahe (note (ii))	**–**	458,696
— Charm Talent (note (ii))	**75,946**	80,483
— Zhongshan Minsen (note (v))	**725,620**	–
— Hainan Yahong (note (v))	**75,026**	–
— Hainan Yahai (note (v))	**469,061**	–
— Changzhou Yajing (note (ii))	**1,393,071**	–
— Zhongshan Yingxuan (note (ii))	**203,310**	–
	5,416,625	3,714,038

(All amounts in RMB thousands unless otherwise stated)

45 Related party transactions (continued)

(c) Balances with related parties (continued)

	2017	2016
Loan to a related party		
— Gongqingcheng Investment (note (vi))	**190,000**	–

	2017	2016
Due to related parties		
— Top Coast Investment Limited (note (vii))	**7,214**	7,719
— Founding shareholders (note (viii))	**92,820**	92,820
— Wuhan Changkai (note (ii))	**2,449,695**	2,700,000
— Zhongshan Changjiang Golf Course (note (ii))	**32**	34
— Tianjin Jinnan (note (ii))	**491,825**	91,825
— Foshan Yazhan (note (ii))	**–**	9,500
— Huadu Yazhan (note (ii))	**312,753**	184,735
— Shanghai Canzhou (note (ii))	**32,000**	–
	3,386,339	3,086,633

Notes:

(i) As at 31 December 2017, the balance due from Li He is cash advance in nature, which is unsecured interest free and expected to be received after 1 year.

(ii) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

(iii) The balances are cash advances in nature, which are unsecured, interest-free and repayable after 1 year.

(iv) The balance is loan receivables from a joint venture, which is unsecured, interest bearing and repayable within 1 year. The effective interest rate is 4.35% per annum.

(v) The balances are loan receivables from joint ventures, which are unsecured, interest bearing and repayable after 1 year. The average effective interest rate is 5.52% per annum.

(vi) The balance is loan receivables from Gongqingcheng Investment, which is unsecured, interest bearing and repayable after 1 year. The effective interest rate is 4.90% per annum.

(vii) Amounts due to Top Coast Investment Limited are cash advances in nature, which are unsecured, interest-free and repayable on demand.

(viii) Amounts due to Founding Shareholders represent the consideration payable for acquisition of a hotel building.

(All amounts in RMB thousands unless otherwise stated)

46 Ultimate holding company

The directors of the Company consider Top Coast Investment Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company of the Group.

47 Subsidiaries

(a) Particulars of principal subsidiaries of the Group at 31 December 2017 are set out below:

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Directly held by the Company					
Eastern Supreme Group Holdings Limited (formerly named Eastern Supreme Group Limited)	British Virgin Islands (the "BVI")/limited liability Company	Investment holding/ Hong Kong	100%	100%	–
Indirectly held by the Company					
雅居樂雅生活服務股份有限公司 A-Living Services Co., Ltd.	PRC/foreign invested enterprise	Property management/ Mainland China	–	72%	28%
雅居樂地產置業有限公司 (前稱中山市雅居樂地產置業有限公司) Agile Property Land Co., Ltd. (formerly named Zhongshan Agile Property Land Co., Ltd)	PRC/wholly foreign owned enterprise	Management consultant/ Mainland China	–	100%	–
中山雅居樂雍景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

47 Subsidiaries (continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2017 are set out below: (continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
中山市凱茵豪園房地產開發有限公司 Zhongshan Greenville Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市雅居樂房地產有限公司 Foshan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
南京雅居樂房地產開發有限公司 Nanjing Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
河源市雅居樂房地產開發有限公司 Heyuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
海南清水灣控股有限公司 Hainan Clearwater Bay Holdings Limited	BVI/Limited liability company	Investment holding/BVI	–	100%	–
海南雅居樂房地產開發有限公司 Hainan Agile Real Estate Development Co., Ltd. ("Hainan Agile") (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
海南雅恒房地產發展有限公司 Hainan Yaheng Real Estate Development Co., Ltd. ("Hainan Yaheng") (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

47 Subsidiaries (continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2017 are set out below: (continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
廣州從化雅居樂房地產開發有限公司 Guangzhou Conghua Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
四川雅居樂房地產開發有限公司 Sichuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂房地產有限公司 Foshan Sanshui Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
惠州白鷺湖旅遊實業開發有限公司 Huizhou Bailuhu Tour Enterprise Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
陝西昊瑞房地產開發有限責任公司 Shanxi Haorui Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
上海靜安城投重慶置業有限公司 Shanghai Jing'an Chengtou Chongqing Land Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
上海雅恒房地產開發有限公司 (前稱上海金昌房地產開發有限公司) Shanghai Yaheng Real Estate Development Co., Ltd. (formerly named Shanghai Jinchang Real Estate Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州雅居樂酒店有限公司 Guangzhou Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

47 Subsidiaries (continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2017 are set out below: (continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
佛山雅居樂酒店有限公司 Foshan Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/ Mainland China	–	100%	–
廣州雅恒房地產開發有限公司 Guangzhou Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市雅信房地產開發有限公司 Zhongshan Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅創房地產開發有限公司 Zhongshan Yachuang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
廣州雅生房地產開發有限公司 Guangzhou Yasheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅景房地產開發有限公司 Zhongshan Yajing Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
廣州雅粵房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州雅騰房地產開發有限公司 Guangzhou Yateng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂雍景園房地產有限公司 Foshan Sanshui Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

47 Subsidiaries (continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2017 are set out below: (continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
廣東西樵商貿廣場有限公司 Guangdong Xiqiao Commerce Plaza Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
南京江寧雅居樂房地產開發有限公司 Nanjing Jiangning Agile Real Estate Development Co.,Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
遼寧雅居樂房地產開發有限公司 Liaoning Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
西安雅居樂物業投資管理有限公司 Xi'an Agile Property Investment Management Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
佛山市順德區雅居樂房地產有限公司 Foshan Shunde Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
南京雅建置業有限公司 Nanjing Yajian Land Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
常州雅居樂房地產開發有限公司 Changzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
騰沖雅居樂旅遊置業有限公司 Tengchong Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
海南雅航旅遊置業有限公司 Hainan Yahang Travel Property Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

47 Subsidiaries (continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2017 are set out below: (continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
惠州市惠陽雅居樂房地產開發有限公司 Huizhou Huiyang Agile Real Estate Development Co., Ltd (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
西雙版納雅居樂旅遊置業有限公司 (前稱：西雙版納雅居樂旅遊發展有限公司) Xishuangbanna Agile Resort Co., Ltd. (formerly named: Xishuangbanna Agile Resort Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
瑞麗雅居樂旅遊置業有限公司 Ruili Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
西安曲江雅居樂房地產開發有限公司 Xi'an Qujiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	70%	30%
佛山市順德區雅新房地產開發有限公司 Foshan Shunde Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
揚州雅居樂房地產開發有限公司 Yangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
來安雅居樂房地產開發有限公司 Lai'an Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
無錫雅居樂房地產開發有限公司 Wuxi Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

47 Subsidiaries (continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2017 are set out below: (continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
上海松江雅居樂房地產開發有限公司 Shanghai SongJiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
昆山市富恒房地產開發有限公司 Kunshan Fuheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅尚房地產開發有限公司 Zhongshan Yashang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
杭州余杭雅居樂房地產開發有限公司 Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
南京濱江雅居樂房地產開發有限公司 Nanjing Binjiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
鄭州雅居樂房地產開發有限公司 Zhengzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	60%	40%
佛山市南海區雅恒房地產開發有限公司 Foshan Nanhai Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	51%	49%

47 Subsidiaries (continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2017 are set out below: (continued)

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administrating and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The 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.

Note (i): The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

(All amounts in RMB thousands unless otherwise stated)

48 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2017	2016
Assets		
Non-current assets		
Investments in subsidiaries	**448,520**	448,520
Investments in an associate	**–**	114,461
Derivative financial instruments	**–**	254,497
Total non-current assets	**448,520**	817,478
Current assets		
Amounts due from subsidiaries	**48,399,651**	43,466,968
Other receivables and prepayments	**92,669**	104,943
Derivative financial instruments	**–**	307,870
Cash and cash equivalents	**1,728,902**	834,340
Total current assets	**50,221,222**	44,714,121
Total assets	**50,669,742**	45,531,599
Equity		
Equity attributable to shareholders of the Company		
Share capital and premium	**3,421,883**	4,290,028
Shares held for Share Award Scheme	**(156,588)**	(156,588)
Other reserves (note (a))	**427,512**	427,512
Retained earnings (note (a))	**2,526,254**	909,104
	6,219,061	5,470,056
Perpetual Capital Securities	**4,485,776**	4,491,190
Total equity	**10,704,837**	9,961,246
Liabilities		
Non-current liabilities		
Borrowings	**19,186,013**	19,362,083
Derivative financial instruments	**4,403**	–
	19,190,416	19,362,083
Current liabilities		
Borrowings	**10,159,319**	8,097,435
Amounts due to subsidiaries	**9,906,562**	7,607,089
Other payables and accruals	**467,763**	503,746
Derivative financial instruments	**240,845**	–
Total current liabilities	**20,774,489**	16,208,270
Total liabilities	**39,964,905**	35,570,353
Total equity and liabilities	**50,669,742**	45,531,599

The balance sheet of the Company was approved by the Board of Directors on 21 March 2018 and was signed on its behalf by:

Chen Zhuo Lin **Chan Cheuk Hung**

(All amounts in RMB thousands unless otherwise stated)

48 Balance sheet and reserve movement of the Company (continued)

Balance sheet of the Company (continued)

Note (a): Reserves movement of the Company

	Other reserves	Retained earnings
At 1 January 2016	427,512	1,092,304
Profit for the year	–	285,404
Dividends declared relating to 2015	–	(468,604)
At 31 December 2016	427,512	909,104
At 1 January 2017	**427,512**	**909,104**
Profit for the year	**–**	**3,052,547**
Dividends declared relating to 2016	**–**	**(1,435,397)**
At 31 December 2017	**427,512**	**2,526,254**

49 Events after the balance sheet date

(a) A-Living, the property management segment of the Group, was formally listed on the main board of the Stock Exchange of Hong Kong on 9 February 2018, and the spin-off was successfully completed. A-Living newly issued 333,334,000 H shares at the offer price of HK$12.30 per share and the net estimated proceeds amounted to approximately HK$3,945 million. Upon the of the Global Offering, the Company, through its wholly-owned subsidiaries, indirectly controls in aggregate approximately 54% of the total issued share capital of A-Living.

(b) On 7 March 2018, the Company issued Senior Perpetual Capital Securities with the aggregate principal amount of US$400,000,000. The net proceeds, after deduction of issuance costs, amounted to approximately US$394,100,000 (equivalent to RMB2,494,417,000). The Senior Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. The Company can choose to redeem the Senior Perpetual Capital Securities in whole, but not in part, on or after 7 March 2023, or any business day after 7 March 2023. The initial distribution rate is 6.875% per annum and will be reset periodically.

(All amounts in RMB thousands unless otherwise stated)

50 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2017:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	–	3,910	16	3,926
Mr. Chan Cheuk Hung	–	2,789	16	2,805
Mr. Huang Fengchao	–	9,644	162	9,806
Mr. Chen Zhongqi	–	9,464	57	9,521
Mr. Chan Cheuk Yin	362	–	–	362
Madam Luk Sin Fong, Fion	362	–	–	362
Mr. Chan Cheuk Hei	362	–	–	362
Mr. Chan Cheuk Nam	362	–	–	362
Dr. Cheng Hon Kwan (note(i))	362	–	–	362
Mr. Kwong Che Keung, Gordon (note(i))	362	–	–	362
Mr. Cheung Wing Yui, Edward (note(i))	362	–	–	362
Mr. Hui Chiu Chung, Stephen (note(i))	362	–	–	362
Mr. Wong Shiu Hoi, Peter (note(i))	362	–	–	362
	3,258	25,807	251	29,316

(All amounts in RMB thousands unless otherwise stated)

50 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2016:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	–	3,580	15	3,595
Mr. Chan Cheuk Hung	–	2,557	15	2,572
Mr. Huang Fengchao	–	7,147	136	7,283
Mr. Chen Zhongqi	–	6,963	53	7,016
Mr. Chan Cheuk Yin	335	–	–	335
Madam Luk Sin Fong, Fion	335	–	–	335
Mr. Chan Cheuk Hei	335	–	–	335
Mr. Chan Cheuk Nam	335	–	–	335
Dr. Cheng Hon Kwan (note(i))	335	–	–	335
Mr. Kwong Che Keung, Gordon (note(i))	335	–	–	335
Mr. Cheung Wing Yui, Edward (note(i))	335	–	–	335
Mr. Hui Chiu Chung, Stephen (note(i))	335	–	–	335
Mr. Wong Shiu Hoi, Peter (note(i))	335	–	–	335
	3,015	20,247	219	23,481

Note (i): Independent non-executive directors of the Company.

(b) Directors' retirement benefits

During the year ended 31 December 2017, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note(a) above (2016: same).

(c) Directors' termination benefits

During the year ended 31 December 2017, there was no termination benefits received by the directors (2016: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, no consideration was paid for making available the services of the directors of the Company (2016: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2017, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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