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花樣年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(於開曼群島註冊成立之有限公司)

(股份代號：01777)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)第13.10B條頒佈。

茲提述花樣年控股集團有限公司(「本公司」)日期為二零一五年五月二十七日及二零一五年五月二十八日有關發行票據的公告(「該等公告」)。除非另有註明，否則本公告所用詞彙具有該等公告所賦予的涵義。

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承董事會命
花樣年控股集團有限公司
主席
潘軍

香港，二零一五年六月四日

於本公告刊發日期，執行董事為潘軍先生、曾寶寶小姐、林錦堂先生、周錦泉先生及王亮先生；非執行董事為李東生先生及袁浩東先生；獨立非執行董事為何敏先生、黃明先生、廖建文博士、王沛詩女士(太平紳士)及郭少牧先生。

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The attached document is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). The attached document has been prepared on the basis that all offers of the securities made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the securities.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO CHINA MERCHANTS SECURITIES (HK) CO., LIMITED, CLSA LIMITED, DEUTSCHE BANK AG, SINGAPORE BRANCH, MERRILL LYNCH INTERNATIONAL AND UBS AG, HONG KONG BRANCH (COLLECTIVELY THE "INITIAL PURCHASERS") THAT YOU (I) ARE OUTSIDE THE UNITED STATES, AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

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FANTASIA

FANTASIA HOLDINGS GROUP CO., LIMITED

(incorporated in the Cayman Islands with limited liability)

US\$200,000,000

11.50% Senior Notes due 2018

Issue Price: 99.260%

Our 11.50% Senior Notes due 2018 (the “Notes”) will bear interest from June 1, 2015 at 11.50% per annum payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2015. The Notes will mature on June 1, 2018.

The Notes are senior obligations of Fantasia Holdings Group Co., Limited (the “Company”), guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors”), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section entitled “Description of the Notes.” We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time and from time to time prior to June 1, 2018, we may redeem up to 35% of the Notes, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of our capital stock. In addition, we may redeem the Notes, in whole but not in part, at any time prior to June 1, 2018 at a price equal to 111.50% of the principal amount of such Notes plus (i) accrued and unpaid interest (if any) to the redemption date and (ii) a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the “Indenture”)), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the collateral securing the Notes), and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

For a more detailed description of the Notes, see the section entitled “Description of the Notes.”

Investing in the Notes involves risks. See the section entitled “Risk Factors” beginning on page 17.

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

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

It is expected that the delivery of the Notes will be made on or about June 1, 2015 through the book-entry facilities of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”), against payment therefor in immediately available funds.

*Joint Lead Managers and Joint Bookrunners
(in alphabetical order)*

BofA Merrill Lynch China Merchants Securities (HK) CITIC CLSA Securities Deutsche Bank UBS

The date of this offering memorandum is May 27, 2015

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

This offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the “EU Prospectus Directive”). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

IN CONNECTION WITH THIS OFFERING, CHINA MERCHANTS SECURITIES (HK) CO., LIMITED, CLSA LIMITED, DEUTSCHE BANK AG, SINGAPORE BRANCH, MERRILL LYNCH INTERNATIONAL AND UBS AG, HONG KONG BRANCH, AS STABILIZING MANAGERS, OR ANY PERSON ACTING FOR THEM, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AND NOT FOR US OR ON OUR BEHALF.

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

any), the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

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

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

No representation or warranty, express or implied, is made by China Merchants Securities (HK) Co., Limited, CLSA Limited, Deutsche Bank AG, Singapore Branch, Merrill Lynch International and UBS AG, Hong Kong Branch (the “Initial Purchasers”) or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future.

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

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

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

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering 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 Fantasia Holdings Group Co., Limited itself, or Fantasia Holdings Group Co., Limited and its consolidated subsidiaries, as the context requires.

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

In this offering memorandum, 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 (“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 RMB6.2046 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2014, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7531 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2014. 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 the section entitled “Exchange Rate Information.”

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

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to “2012,” “2013” and “2014” in this offering memorandum are to our financial years ended December 31, 2012, 2013 and 2014, respectively.

References to the “2010 Notes” are to our 14% Senior Notes due 2015, which matured and were fully repaid as of May 12, 2015.

References to the “2012 Notes” are to our 13.75% Senior Notes due 2017.

References to the “January 2013 Notes” are to our 10.75% Senior Notes due 2020.

References to the “May 2013 Notes” are to our 7.875% Senior Notes due 2016.

References to the “2014 Notes” are to our 10.625% Senior Notes due 2019.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.1, in our share capital.

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

In this offering memorandum, unless the context otherwise requires, all references to “affiliate” are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to “subsidiary” are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended (the “Listing Rules”), which includes: (i) a “subsidiary undertaking” as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the “Companies Ordinance”), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer; and all references to “controlling shareholder” are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and “controlling interest” will be construed accordingly.

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

SUMMARY

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

Overview

We are a leading property developer and property related service provider in China. For six consecutive years from 2009 to 2014, we have members of our Group ranked among the China Top 100 Real Estate Developers (中國房地產百強企業) and the China Top 100 Property Management Companies (中國物業服務百強企業) by the China Real Estate Top 10 Research Team (中國房地產Top 10研究組). We were also ranked among the China Real Estate Top 100 Listed Companies (中國房地產上市公司百強) in 2011 and the Top 50 China Real Estate Listed Companies in terms of Comprehensive Strength (中國房地產上市公司綜合實力五十強) in 2012 and 2014 by the China Real Estate Research Institute, China Real Estate Association and China Real Estate Assessment Center. In 2014, we were granted the title of the “Innovative Enterprise in China Real Estate Community Service Model” (中國房地產社區服務模式創新企業) in the first Annual Meeting of Community Responsibility in China Real Estate (中國房地產社區責任年會) cum the sixth Annual Meeting of the New Trends in China Property (中國地產新趨勢年會), jointly held by institutions including China Foundation for Poverty Alleviation (中國扶貧基金會) and China Real Estate Chamber of Commerce (全聯房地產商會) and were selected as the “Enterprise with Highest Brand Value in Shenzhen Real Estate” (深圳房地產最具品牌價值企業) by Shenzhen Real Estate Association (深圳市房地產業協會). We first commenced our property development business in Shenzhen in 1996. Leveraging our broad experience and capabilities, we have successfully expanded into, and currently focus our real estate activities in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region, four of the fastest-growing economic regions in China, and have recently expanded into and plan to also focus on Central China.

Our target customers are affluent middle- to upper-class individuals and families and fast growing small- to medium-sized enterprises. We envisage that the demand for properties designed for these customers will increase as such customers’ household income and purchasing power continue to rise. To cater to the diverse needs of our target customers, we have developed a portfolio of property development projects with a focus on the following:

- *Urban Complexes*

Our urban complexes are mostly located in the peripheral areas of existing central business districts in major cities such as Shenzhen and Chengdu or in the emerging new business districts designated under city development plans of local governments. These complexes integrate various types of properties, such as offices, apartments, retail shops and/or boutique hotels, into a single property development project.

- *Boutique Upscale Residences*

Our boutique upscale residences are located in urban and suburban areas with natural scenic surroundings or cultural landmarks. They are connected by roads or expressways to the centers of major metropolitan areas. These boutique upscale residences include high- and low-rise apartment buildings, townhouses and stand-alone houses and cater to the residential and investment needs of our high-end consumers. We typically develop our boutique upscale residential projects in several phases so that we can manage our capital resources more efficiently and increase the average selling price as the project becomes more developed and attractive to our customers.

As of December 31, 2014, our portfolio of land bank consisted of approximately 36% of boutique upscale residences, 23% of urban complexes and 41% of mid-to-high end residences in terms of GFA. We plan to continue to focus our property development activities on developing a portfolio of products that caters to our target customers across some of China's most economically prosperous regions. We plan to achieve this objective by continuing to selectively acquire low-cost land in the regions. We conduct comprehensive and in-depth market research and analysis on the land that we intend to acquire and the surrounding areas. We consider the geographic as well as marketing factors when evaluating a target parcel, including development potentials, size and suitability of the land for developments that can fit into our existing portfolio, convenience and availability of infrastructure support, purchasing power of our potential customers in relevant areas, development costs and the estimated return on investment. We budget for the cost of land acquisition as well as the overall development costs, which are subject to strict internal procedures and are closely monitored and adjusted throughout the construction process. Acquisition proposal is reviewed and approved by the relevant personnel of our Group, including our chief executive officer and our board of directors. We usually acquire land using our own capital within a pre-set budget and arrange project loans with banks in China at a later stage to support the subsequent development of the property.

In addition to our property development business, we also provide property operation services, property agency services and hotel services to our own properties and properties of third parties. In February 2011, we disposed of our entire 85% equity interests in Shenzhen Xingyan Property Consultancy Company Limited (深圳市星彥地產顧問有限公司), our subsidiary engaged in the provision of property agency services, to concentrate on our main business, but we still maintain secondary property brokerage services as a value-added service in the property operation services business. We believe our property related services enable us to strengthen our property development capabilities. For example, our property operation services enhance the value of our properties. In June 2014, Colour Life Service Group Co., Ltd. ("Colour Life"), one of our subsidiaries focusing on our community services business, was listed on the Hong Kong Stock Exchange as part of our dual funding platforms strategy, which we believe enhanced our capital utilization efficiency and our ability to capitalize on our brand. We plan to continue to enhance such real estate services that we offer and to further enhance the intrinsic synergies between our real estate products and services. We will in particular focus on enhancing our property operation services and hotel services which we believe will serve as relatively stable and growing revenue sources to our Group on the one hand, and will continue to increase the attractiveness and the average selling price of the properties developed by us on the other.

We have received numerous accolades for our property development and services capabilities. For example, our subsidiary, Fantasia (Chengdu) Development Co., Ltd. was awarded one of the real estate industry's highest honorary award "Golden Tripod—2009 Outstanding Development Business Awards" ("金鼎獎—2009年度優秀開發企業獎") jointly issued by Chengdu Municipal Government and the Chengdu Real Estate Bureau (成都房地產管理局) in 2010. Another subsidiary, Shenzhen Colour Life Services Group Company Limited, was awarded "Top 10 Growth Enterprises in Top 100 Property Services Companies in China" (年度中國物業服務百強企業成長性TOP 10) since 2012 and "China Top 100 Property Services Companies" (中國物業服務百強企業) for six consecutive years since 2009 by China Real Estate Top 10 Research Team (中國房地產TOP 10研究組). Shenzhen Colour Life Services Group Company Limited was also awarded "2012 China Property Services Enterprise of Brand Excellence" (2012中國物業服務優秀品牌企業) in August 2012 and "The Largest Community Service Operator" (中國最大社區服務運營商) in July 2013, both of which were granted by China Index Research Institute. We were also awarded "2012 China Best Commercial Real Estate Brand" (2012中國最佳商業地產品牌) by Organizing Committee of Boao Real Estate Forum (博鰲房地產論壇委員會) in August 2012, was listed on both "List of Top 100 Outstanding Real Estate Enterprises in China" in 2012 and 2013 (2012和2013年度中國房地產卓越100榜) and "List of China's Outstanding Real Estate Management and Real Estate Teams in China" in 2012 and 2013 (2012和2013年度中國房地產管理與團隊卓越榜) by guandian.cn (觀點地產新媒體), and was awarded the "Listed Company with the Best Investment Value 2013" (2013年度最具投資價值上市公司大獎) by Boao • 21st Century Real Estate Forum (博鰲 • 21世紀房地產論壇) in July 2013. Our property development projects have also won numerous awards and recognitions for their design and quality. For example, our project Guilin Fantasia Town (桂林花樣城) was awarded "Real Estate with the Most Potential in Value in 2011" (2011年最具價值潛力樓盤) by the Fourth Session of Guilin Spring Brand Real Estate Fair (桂林第四屆春季品牌房地產交易會) in 2011. Nanjing Yuhuatai Project (南京花生唐) was awarded "The Best Commercial Real Estate

in Nanjing, China for 2012” (2012中國(南京)最佳商業地產) by Yangtze Evening News (《揚子晚報》) in January 2013 and “Real Estate with the Most Investment Potential for 2013” (2013年最具投資價值樓盤) by House.QQ.com (騰迅房產) in January 2013. Both of our Chengdu Future Plaza (成都香年廣場) and Chengdu Longnian International Centre (成都龍年國際中心) were awarded “Masterpiece of Commercial Real Estate in Chengdu Real Estate Market” (2012成都樓市商業地產傑作) by Real Estate Market Overall List in Chengdu, China 2012 (2012中國(成都)樓市總評榜) in March 2013. Fantasia Funian Plaza (花樣年•福年廣場) passed the Excellence Assessment and was selected as the outstanding project of property management in Shenzhen Futian District and Fantasia Future Plaza (花樣年•香年廣場) passed the expert assessment of the Model Property Management of Chengdu City, and was selected as the excellent project of property management in Chengdu Gaoxin District in 2014. Rhombus Fantasia Chengdu Hotel (花樣年•隆堡成都酒店) was awarded the “Best Business and Resort Hotel 2013-2014” (2013-2014年度最佳商務度假酒店) jointly by China City Travel and International Channel Shanghai. Chengdu Meinian Plaza (Phase 1.1 and Phase 1.3) (成都美年廣場1.1和1.3期) was awarded the first prize of “the Sixteenth Evaluation of Shenzhen’s Outstanding Engineering Exploration and Design (Residential Buildings)” (深圳市第十六屆優秀工程勘察設計評審(住宅建築)一等獎) in 2014.

As of December 31, 2014, we had a total of 74 projects at various stages of development (including completed projects, projects under development and projects held for future development), including 15 projects located in the Chengdu-Chongqing Economic Zone, 31 projects located in the Pearl River Delta region, 13 projects located in the Yangtze River Delta region, ten projects located in the Beijing-Tianjin metropolitan region, four projects located in Central China and one project located overseas in Singapore.

As of December 31, 2014, we had a total land bank of approximately 14,553,798 square meters, comprising:

- an aggregate planned GFA of approximately 8,924,423 square meters of properties for which we had fully paid the land premium and obtained land use rights (consisting of an aggregate planned GFA of approximately 4,562,092 square meters of properties under development and an aggregate planned GFA of approximately 4,362,331 square meters of properties held for future development for which we have obtained land use rights); and
- an aggregate planned GFA of approximately 5,629,375 square meters of properties for which we had entered into preliminary framework agreements but had not obtained the land use rights or property rights.

Of our total land bank as of December 31, 2014, approximately 5,905,462 square meters, or 40.6%, were located in the Chengdu-Chongqing Economic Zone; approximately 5,414,424 square meters, or 37.2%, were located in the Pearl River Delta region; approximately 1,670,745 square meters, or 11.5%, were located in the Yangtze River Delta region; approximately 933,327 square meters, or 6.4%, were located in the Beijing-Tianjin metropolitan region; approximately 606,936 square meters, or 4.2%, were located in Central China; and approximately 22,904 square meters, or 0.2% were located overseas in Singapore. We develop most of our properties, including properties that are currently under development, for sale but will hold certain of these developed properties for investment and hotel management purposes.

For the years ended December 31, 2012, 2013 and 2014, our revenue was RMB6,230.1 million, RMB7,279.8 million and RMB7,306.0 million (US\$1,177.5 million), respectively. Our revenue for the years ended December 31, 2012, 2013 and 2014 consisted of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services, and (v) the provision of hotel management and related services. The following table sets forth our revenue for each of the

components described above and the percentage of total revenue represented for the periods indicated with the fluctuations of the percentage due primarily to the different product mix delivered to customers in respective period:

	For the year ended December 31,						
	2012		2013		2014		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US\$)	(%)
	(in thousands, except percentages)						
Property development	5,885,314	94.5	6,733,340	92.5	6,535,319	1,053,302	89.5
Property investment	90,266	1.4	128,673	1.8	136,462	21,994	1.9
Property agency services	14,470	0.2	12,683	0.2	18,653	3,006	0.3
Property operation services	184,683	3.0	314,764	4.3	504,243	81,269	6.9
Hotel services	55,317	0.9	90,368	1.2	111,273	17,934	1.5
Total	<u>6,230,050</u>	<u>100.0</u>	<u>7,279,828</u>	<u>100.0</u>	<u>7,305,950</u>	<u>1,177,505</u>	<u>100.0</u>

Recent Developments

Land Acquisition

Subsequent to December 31, 2014, we did not enter into any framework agreements or formal agreements in relation to acquisition of parcels of land.

Acquisition of Shenzhen Kaiyuan International Property Management Co., Ltd. (深圳市開元國際物業管理有限公司) (“Kaiyuan International”)

Shenzhen Colour Life Services Group Company Limited (深圳市彩生活服務集團有限公司) (“Shenzhen Colour Life”), an indirect wholly owned subsidiary of Colour Life, acquired a 100% equity interest of Kaiyuan International from its shareholders for a consideration of RMB330.0 million (US\$48.4 million). Kaiyuan International was principally engaged in property management business and provided property management services to more than 130 property development projects in the PRC. We have designated our subsidiaries within the Colour Life Group as unrestricted subsidiaries in accordance with the indentures governing the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes, and will designate them as unrestricted subsidiaries in accordance with the Indenture.

Our Competitive Strengths

We believe that our primary competitive strengths are:

- property development portfolio strategically located across some of China’s most economically prosperous regions;
- ability to acquire land at low cost;
- strong business model with track record of success;
- well-known brand name;
- strong value-accretion property development and service capabilities; and
- experienced and stable management team with proven track record supported by seasoned professional employees.

Our Business Strategies

Our business strategies are to:

- continue to expand in fast-growing economic regions in China and selectively acquire low-cost land;
- focus on further improving the intrinsic synergies of our real estate products and value-added services;
- continue to improve our property operation service and hotel service capabilities to further increase the attractiveness and value of our properties; and
- continue to promote our brand names.

General Information

We were incorporated in the Cayman Islands on October 17, 2007, as an exempted company with limited liability. Our shares have been listed on the Stock Exchange of Hong Kong Limited since November 25, 2009. Our principal place of business in the PRC is at Block A, Shenzhen Funain Plaza, Intersection of Shihua Road and Zijing Road, Futian Free Trade Zone, Shenzhen 518048, Guangdong Province, China. Our place of business in Hong Kong is at Room 1202-03, New World Tower 1, 16-18 Queen's Road Central, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.cnfantasia.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

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

Issuer	Fantasia Holdings Group Co., Limited (the “Company”).
Notes Offered	US\$200,000,000 aggregate principal amount of 11.50% Senior Notes due 2018 (the “Notes”).
Offering Price	99.260% of the principal amount of the Notes.
Maturity Date	June 1, 2018.
Interest	The Notes will bear interest from and including June 1, 2015 at the rate of 11.50% per annum, payable semi-annually in arrears.
Interest Payment Dates	June 1 and December 1 of each year, commencing December 1, 2015.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);• guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations described under “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes—The Subsidiary Guarantees and JV Subsidiary Guarantors;”• effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral,” the Notes will:

- be entitled to the benefit of a lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement among (i) holders of the 2012 Notes, (ii) holders of the January 2013 Notes, (iii) holders of the May 2013 Notes, (iv) holders of the 2014 Notes, (v) holders of the Notes and (vi) holders of other Permitted *Pari Passu* Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC and (ii) Talent Bright International Limited, Fantasia Property Management (International) Company Limited, Winning Sky International Limited, Hong Kong Kangnian Trading Co., Limited, One Ever Global Limited, Mass Success Global Limited, Mass Success Global UK Limited, Fantasia Investment Holdings (US) Corporation, Fantasia Hotel Management (US), LLC and Fantasia 373 Hotel (US), LLC.

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

Any future Restricted Subsidiary, as defined under “Description of the Notes—Certain Definitions” (other than subsidiaries organized under the laws of the PRC or Exempted Subsidiaries), will guarantee the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries) do not account for more than 10% of the Total Assets of the Company.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See “Description of the Notes—The Subsidiary Guarantees—Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.” In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may (i) release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, (ii) discharge the pledge of the Capital Stock granted by such Subsidiary Guarantor, and (iii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such Subsidiary Guarantor, *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the Subsidiary Guarantors whose Subsidiary Guarantees were released) (other than Exempted Subsidiaries) do not account for more than 10% of the Total Assets of the Company.

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

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral,” the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor will:

- be entitled to the benefit of a security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement among (i) holders of the 2012 Notes, (ii) holders of the January 2013 Notes, (iii) holders of the May 2013 Notes, (iv) holders of the 2014 Notes, (v) holders of the Notes and (vi) holders of other Permitted *Pari Passu* Secured Indebtedness; and
- rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Ranking of JV Subsidiary Guarantees

A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor concurrently with the consummation of (x) a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20% of the issued Capital Stock of such Restricted Subsidiary or (y) a purchase of the Capital Stock of an Independent Third Party such that it becomes a Subsidiary and is designated a Restricted Subsidiary. No JV Subsidiary Guarantee exists as of the Original Issue Date.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will:

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

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

Security to be Granted The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of each initial Subsidiary Guarantor (collectively, the “Collateral”) in order to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement, as supplemented, entered into by the holders of the Notes, the holders of the 2012 Notes, the holders of the January 2013 Notes, the holders of the May 2013 Notes, the holders of the 2014 Notes and the holders of other Permitted *Pari Passu* Secured Indebtedness (subject to conditions of completion and accession to the Intercreditor Agreement) on the date the Notes are issued. See “Description of the Notes—Security.”

Intercreditor Agreement The Company, the Subsidiary Guarantor Pledgors, the Collateral Agent, the trustee for the 2012 Notes and the trustee for the 2010 Notes entered into an intercreditor agreement dated September 27, 2012, to which the trustee for the January 2013 Notes acceded on January 22, 2013, the trustee for the May 2013 Notes acceded on May 27, 2013 and the trustee for the 2014 Notes acceded on January 23, 2014. Citicorp International Limited, as trustee with respect to the 2010 Notes, was released as a secured party to the Intercreditor Agreement after the 2010 Notes were repaid in full at maturity on May 12, 2015. The trustee for the Notes will accede to the Intercreditor Agreement on the Original Issue Date, which provides that the security interests held in the Collateral will be shared on a *pari passu* basis among the holders of the Notes, the holders of the 2012 Notes, the holders of the January 2013 Notes, the holders of the May 2013 Notes, the holders of the 2014 Notes and the holders of the Permitted *Pari Passu* Secured Indebtedness.

Use of Proceeds. We intend to use the proceeds from this offering to refinance certain of our existing indebtedness.

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

Optional Redemption	<p>At any time prior to June 1, 2018, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined under “Description of the Notes”) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.</p> <p>At any time and from time to time prior to June 1, 2018, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 111.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of its capital stock, subject to certain conditions.</p>
Repurchase of Notes Upon a Change of Control Triggering Event	<p>Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.</p>
Redemption for Taxation Reason	<p>Subject to certain exceptions, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See “Description of the Notes—Redemption for Taxation Reasons.”</p>
Covenants	<p>The Notes, the Indenture and the Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger.

	These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes—Certain Covenants.”	
Transfer Restrictions	The Notes will not be registered under the U.S. Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”	
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depository for Euroclear and Clearstream.	
Clearance and Settlement	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants, including Euroclear and Clearstream, Luxembourg. For a description of certain factors relating to clearance and settlement, see “Description of the Notes—Book-Entry; Delivery and Form.”	
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about June 1, 2015 which the Company expects will be the third business day following the date of this offering memorandum referred to as “T+3”. You should note that initial trading of the Notes may be affected by the T+3 settlement. See “Plan of Distribution.”	
Trustee	Citicorp International Limited.	
Paying and Transfer Agent and Note Registrar	Citibank N.A., London Branch.	
Collateral Agent	Citicorp International Limited.	
Listing	Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. The Notes will be traded in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.	
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”	
Ratings	The Notes are expected to be rated B by Standard and Poor’s Rating Services and B3 by Moody’s Investors Service. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.	
Security Codes	ISIN	Common Code
	XS1237349391	123734939

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of comprehensive income data for 2012, 2013 and 2014 and the summary consolidated statement of financial position data as of December 31, 2012, 2013 and 2014 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte Touche Tohmatsu (“Deloitte”), the independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Statement of Comprehensive Income and Other Financial Data

	For the year ended December 31,			
	2012 (RMB)	2013 (RMB)	2014 (RMB)	(US\$) (unaudited)
	(in thousands)			
Revenue	6,230,050	7,279,828	7,305,950	1,177,505
Cost of sales	(3,709,778)	(4,486,269)	(4,499,138)	(725,129)
Gross profit	2,520,272	2,793,559	2,806,812	452,376
Other income, gains and losses	31,800	385,511	(13,301)	(2,144)
Change in fair value of investment properties	167,876	167,319	575,840	92,809
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	330,257	10,177	95,665	15,418
Selling and distribution expenses	(314,100)	(315,184)	(269,719)	(43,471)
Administrative expenses	(291,966)	(487,390)	(585,730)	(94,403)
Finance costs	(57,698)	(260,294)	(290,948)	(46,892)
Share of results of associates	417	675	56	9
Share of results of joint ventures	–	(6,714)	(12,663)	(2,041)
Gain on disposal of subsidiaries	–	116,644	223,707	36,055
Profit before taxation	2,386,858	2,404,303	2,529,719	407,717
Income tax expense	(1,261,209)	(1,174,112)	(1,157,408)	(186,540)
Profit for the year	1,125,649	1,230,191	1,372,311	221,176
Profit for the year attributable to:				
Owners of the Company	1,139,241	1,215,038	1,255,341	202,324
An owner of perpetual capital instrument	–	–	42,525	6,854
Other non-controlling interests	(13,592)	15,153	74,445	11,998
	1,125,649	1,230,191	1,372,311	221,176
Other Financial Data				
EBITDA ⁽¹⁾	1,996,712	2,579,407	2,267,909	365,521
EBITDA margin ⁽²⁾	32%	35%	31%	31%

Notes:

- (1) *EBITDA for any period consists of profit from operating activities before change in fair value of investment properties and impairment loss recognized in respect of goodwill plus depreciation and amortization expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.*
- (2) *EBITDA margin is calculated by dividing EBITDA by revenue.*

Summary Consolidated Statement of Financial Position

	As of December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			
Non-current Assets				
Property, plant and equipment	585,687	905,241	1,541,882	248,506
Investment properties	3,422,233	4,012,828	6,642,075	1,070,508
Interests in associates	1,171	1,566	1,753	283
Interests in joint ventures	19,720	71,084	609,981	98,311
Available-for-sale investment	–	38,910	38,910	6,271
Goodwill	16,488	79,267	133,918	21,584
Intangible assets	–	907	26,850	4,327
Prepaid lease payments	822,252	1,233,811	884,550	142,564
Premium on prepaid lease payments	591,144	390,032	175,847	28,341
Land development expenditure	1,217,463	666,131	667,965	107,656
Other receivables	–	376,841	376,841	60,736
Deposits paid for acquisition of subsidiaries	6,890	150,000	262,550	42,315
Deposits paid for acquisition of a property project	126,004	132,346	136,648	22,024
Deposit paid for acquisition of land use rights	158,123	435,423	1,005,685	162,087
Deferred tax assets	329,372	393,454	498,714	80,378
	<u>7,296,547</u>	<u>8,887,841</u>	<u>13,004,169</u>	<u>2,095,892</u>
Current Assets				
Properties for sale	11,372,628	14,191,479	19,442,516	3,133,565
Prepaid lease payments	28,121	30,828	34,274	5,524
Premium on prepaid lease payments	19,219	10,853	3,678	593
Trade and other receivables	2,142,501	3,583,659	3,873,362	624,273
Amounts due from customers for contract works	52,482	41,059	59,460	9,583
Tax recoverable	77,179	46,114	34,130	5,501
Financial assets at fair value through profit or loss	42,200	–	–	–
Amount due from a joint venture	–	139,190	149,855	24,152
Restricted/pledged bank deposits	707,614	855,564	914,596	147,406
Bank balances and cash	<u>2,788,106</u>	<u>2,776,879</u>	<u>3,738,040</u>	<u>602,463</u>
	<u>17,230,050</u>	<u>21,675,625</u>	<u>28,249,911</u>	<u>4,553,059</u>

	As of December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			
	(unaudited)			
Current Liabilities				
Trade and other payables	2,603,457	2,453,629	5,516,143	889,041
Deposits received for sale of properties	4,186,104	4,678,224	3,386,888	545,867
Amounts due to customers for contract works	2,291	54,318	8,195	1,321
Amounts due to related parties	1,573	506	–	–
Amount due to a non-controlling shareholder	–	–	419,960	67,685
Amounts due to joint ventures	–	–	996,467	160,601
Tax liabilities	2,238,038	2,784,573	3,016,193	486,122
Borrowings – due within one year	2,452,294	2,053,357	4,122,925	664,495
Obligations under finance leases	–	26,003	20,826	3,357
Senior notes	–	–	746,051	120,242
	<u>11,483,757</u>	<u>12,050,610</u>	<u>18,233,648</u>	<u>2,938,731</u>
Net Current Assets	<u>5,746,293</u>	<u>9,625,015</u>	<u>10,016,263</u>	<u>1,614,329</u>
Total Assets less Current Liabilities	<u>13,042,840</u>	<u>18,512,856</u>	<u>23,020,432</u>	<u>3,710,220</u>
Non-Current Liabilities				
Amount due to a non-controlling shareholder	–	–	686,667	110,671
Deferred tax liabilities	692,558	719,916	1,096,155	176,668
Borrowings – due after one year	3,100,113	4,942,036	3,651,475	588,511
Obligations under finance leases	–	140,418	119,749	19,300
Senior notes	2,329,003	4,843,390	6,022,081	970,583
Provision	–	29,591	31,931	5,146
Redeemable shares	–	6,177	–	–
	<u>6,121,674</u>	<u>10,681,528</u>	<u>11,608,058</u>	<u>1,870,879</u>
	<u>6,921,166</u>	<u>7,831,328</u>	<u>11,412,374</u>	<u>1,839,341</u>
Capital and Reserves				
Share capital	457,093	429,575	497,485	80,180
Reserves	<u>6,144,037</u>	<u>6,890,876</u>	<u>8,955,574</u>	<u>1,443,377</u>
Equity attributable to owners of the Company	6,601,130	7,320,451	9,453,059	1,523,557
Perpetual capital instrument	–	–	710,500	114,512
Other non-controlling interests	320,036	510,877	1,248,815	201,272
Total non-controlling interests	–	510,877	1,959,315	315,784
	<u>6,921,166</u>	<u>7,831,328</u>	<u>11,412,374</u>	<u>1,839,341</u>

RISK FACTORS

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

Risks Relating to Our Business

We rely heavily on the strong performance of the property market in China, particularly in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China

Our growth in the past has benefited from the strong demand for properties in China, particularly in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China, where a majority of our past and current property development projects are located. As we intend to continue to focus our efforts in these regions, we will continue to depend in the near future on the continuous growth and performance of the property market in such regions. Market demand for residential and commercial properties and office spaces could be affected by various factors, including the general economic environment and any macro-economic control measures implemented by the PRC government, many of which are beyond our control. For example, as a result of changes in the PRC's economic environment, the growth of the PRC real estate market has slowed down recently with sales volumes or average selling prices decreasing in many major cities so far in 2015 as compared with the corresponding period in 2014. We cannot assure you that demand for or average selling prices or sales volume of our properties will continue to grow or remain at previous levels in the future. See “—We may be adversely affected by fluctuations in the global economy and financial markets.” Any adverse developments in the supply and demand of properties or in property prices in China, particularly in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China, could have a material adverse effect on our business, financial condition and results of operations.

Increasing competition in the PRC, particularly in the Chengdu-Chongqing and Pearl River Delta regions, may adversely affect our business and financial condition

Sales in the Chengdu-Chongqing and Pearl River Delta regions accounted for a significant portion of our total contracted sales in 2012, 2013 and 2014. In recent years, an increasing number of property developers have begun property development in Chengdu-Chongqing and Pearl River Delta regions and elsewhere in the PRC. These include overseas property developers (including a number of leading Hong Kong property developers), and developers from other parts of the PRC, some of which may have better track records and greater financial and other resources than us. The intensity of the competition between property developers for land, financing, raw materials and skilled management and labor resources, in regions or cities where we operate, in particular, in the Chengdu-Chongqing and Pearl River Delta regions, may result in increased costs for the acquisition of land for development, an oversupply of properties in certain parts of the PRC, including the Chengdu-Chongqing and Pearl River Delta regions, a decrease in property prices and a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, any of which may adversely affect our business and financial position. In addition, the property market in the Chengdu-Chongqing and Pearl River Delta regions and elsewhere in the PRC is rapidly changing. If we cannot respond to changes in market conditions more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We may not have adequate capital resources to fund our land acquisitions and property developments

Property development is capital intensive. We principally fund our property developments from a combination of internal funds, borrowings from banks, proceeds from sales and pre-sales of our properties, capital contributions from shareholders and proceeds from issuance of equity and debt securities, such as our IPO in November 2009 and our offerings of the 2010 Notes, the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes. Our ability to secure sufficient financing for land acquisition and property development depends on a number of factors that are beyond our control, including market conditions in debt and equity capital markets, investors' perception of our securities, lenders' perception of our creditworthiness, the PRC economy and the PRC regulations that affect the availability and finance costs for real estate companies.

Various PRC regulations restrict our ability to raise capital through external financing and other methods, including without limitation, the following:

- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the purchase of land use rights;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 20% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located; and
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans.

In addition, PBOC has adjusted the reserve requirement ratio for commercial banks six times in 2010, seven times in 2011 and twice in 2012. The reserve requirement ratio for commercial banks currently ranges from 10.5% to 20% with effect from May 18, 2012. From January 2014 to April 2015, PBOC further adjusted the reserve requirement ratio four times to the current ratio ranges from 15.0% to 18.5%. Changes in the reserve requirement ratio affect the amount of funds that banks must hold in reserve against deposits made by their customers. Increase in such reserve requirement ratio will reduce the amount of commercial bank credit available to businesses in China, including us. In November 2009, the PRC government raised the minimum down payment for land premiums to 50% and in March 2010, the Ministry of Land and Resources stipulated that the minimum down payment of land premium of 50% should be paid within one month after the signing of a land grant contract and the rest of the land premium should be fully paid within one year after the signing of a land grant contract. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction.

The PRC government may introduce other measures that limit our access to additional capital. For example, in November 2007, China Banking Regulatory Commission (the "CBRC") provided policy guidelines to the PRC banks and Chinese subsidiaries of foreign banks that loans outstanding as of December 31, 2007 should not exceed the level of outstanding loans as of October 31, 2007. This lending freeze may limit our ability to access additional loans or to rollover existing loans as they mature, and may also prevent or delay potential customers' ability to secure mortgage loans to purchase residential properties.

We cannot assure you that we will be able to renew our current credit facilities or obtain sufficient funding to finance intended purchases of land use rights, develop future projects or meet other capital needs as and when required at a commercially reasonable cost or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to commence new projects or to continue the development of existing projects. Such failure may also increase our finance costs.

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

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

- the economic slowdown and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices; and
- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financings.

More recently, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our business may be adversely affected by changes in interest rates

We rely on borrowings to finance a substantial part of our project developments. Currently, our borrowings primarily consist of loans from commercial banks in China. Many of our customers also need to finance their purchase of our properties through mortgage loans. Interest rates in the PRC have decreased several times recently. The PBOC has adjusted the benchmark one-year lending rate numerous times in the past in response to the changing PRC and global financial and economic conditions. The benchmark one-year lending rate is currently 5.35%. We cannot assure you that the PBOC will decrease the benchmark one-year lending rate or that the interest rates at which financing will be available to us or our customers will decrease in the future. In addition, we cannot predict if and when interest rate in the PRC may increase. Any increase in the interest rates will increase our finance costs and also increase the costs of our customers to purchase our properties with mortgages and therefore adversely affect our business, financial conditions and results of operation. See “—The terms on which mortgages are available, if at all, may affect our sales.”

We may not always be able to obtain land sites that are suitable for property development within our budget

We derive a significant portion of our revenue from sales of properties that we have developed. This revenue stream depends on the completion of, and our ability to sell, our properties. To maintain or grow our business in the future we will need to replenish our land reserves with suitable development sites. Our ability to identify and acquire suitable land sites is subject to a number of factors, some of which are beyond our control. Our business, financial condition and results of operations may be materially and adversely affected if we are unable to obtain land sites for development at prices that allow us to achieve reasonable returns upon the sale of developed properties to our customers.

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 may adversely affect our ability to acquire land use rights for sites we seek to develop and could increase the costs of any acquisition. The PRC central and local governments may regulate the means by which property developers, including us, obtain land sites for property developments. In recent years, the PRC government has promulgated policies that restrict banks from granting loans to finance the construction of luxury residential properties and limit or prohibit the supply of land available for projects such as villa-style developments, low density housing developments and golf courses. Although we will continue to seek suitable development opportunities, the current or future regulatory climate may restrict our ability to engage in such developments in the future. See also “—Risks Relating to Our Industry—PRC government policies, regulations and measures intended to curtail the overheating of the property market may adversely affect our business.”

We have entered into several preliminary framework agreements for potential new property development projects which are subject to significant risks and uncertainties

As of December 31, 2014, we had entered into certain framework agreements in relation to acquisition of parcels of land with an aggregate planned GFA of approximately 5,629,375 square meters with third parties or with local governments in which the projects are located. There are significant risks with respect to these potential new projects as further agreements are required to be entered into in order for us to obtain the respective land use rights for the land parcels specified in the preliminary framework agreements. In addition, in order to obtain the land use rights for some of these potential new projects, we will be required to go through public tender, auction or listing-for-sale processes in accordance with the relevant PRC regulations. We may not be able to successfully obtain the land use rights for the lands specified in the preliminary framework agreements through such processes or obtain the land use rights that can be used for the same purpose as those indicated in the preliminary framework agreements. If we fail to obtain the land use rights certificates for these parcels of land or other parcels of land in which we may acquire an interest in the future, we will not be able to develop and sell properties on such land. We may not be able to acquire replacement parcels of land on terms acceptable to us, or at all, which could have a material adverse effect on our future prospects, business, financial condition and results of operations.

Further, we may not be able to enter into future agreements to obtain the land parcels due to reasons that are beyond our control. Changes in the PRC regulatory environment or policies or changes in the general economic environment or property market in China may result in the other parties’ unwillingness or inability to implement the transactions contemplated under the preliminary framework agreements, or result in changes to the general understanding of the preliminary framework agreements that may be adverse to us, including changes in the price of the land use rights to the specified land parcels. The preliminary framework agreements may not be considered as enforceable by the relevant PRC courts for the purpose of entering into future agreements to obtain the relevant land parcels. If we cannot obtain the relevant land parcels contemplated under the preliminary framework agreements in accordance with the understanding of the preliminary framework agreements or at all, our business and future prospects could be materially and adversely affected.

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

We have in the past, from time to time, obtained land sites for our projects through acquisition of project companies that held the land use rights, in addition to increasing our land bank through public tender, auction and listing-for-sale. We may continue to obtain land sites through such acquisitions in the future. We cannot assure you that we have discovered, or will be able to discover, all existing or potential liabilities of the target project companies. In addition, the government may change the permitted use of the land sites to which such project companies own the land use rights after our acquisitions, rendering the land sites unsuitable for our property development purposes. If any of the undiscovered existing or potential liabilities of the acquired project companies are found to be material, or if we are unable to develop properties on the land sites to which the acquired project companies have the land use rights, our business, financial conditions and results of operations may be materially and adversely affected. In addition, we may acquire such project companies for an amount that is less than their fair market value, resulting in gains recognized on our consolidated statements of comprehensive income. However, such

gains do not give rise to any change to our cash position and therefore we may experience constraints on our liquidity even though our profitability increased.

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

The property industry in the PRC is heavily regulated by the PRC government. Property developers in China must comply with various requirements mandated by national and 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 develop and complete a property development, at various stages of the property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities including a land use rights certificate, a construction land planning permit, a construction works planning permit, a construction works commencement permit and a pre-sale permit or confirmation of completion and acceptance. Each approval may depend on the satisfaction of certain conditions. See “Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—D. Development of a Property Project.” 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 to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes with respect to regulatory approvals. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the completion of our developments and sale of our properties could be substantially disrupted or delayed and any such disruption or delay would materially and adversely affect our business, results of operations and financial condition. Furthermore, the relevant regulatory bodies may not approve the development plans for our projects and we may need to amend such development plans to obtain the necessary permits. Amendment to our development plans may have a material and adverse effect on our business and results of operations.

We face intense competition with respect to our property development, property investments, property operation services, property agency services and hotel services businesses

The property industry in the PRC is highly competitive and we face competition as to our property development business from major domestic developers and, to a lesser extent, foreign developers primarily from other countries or regions in Asia, including several leading developers from Hong Kong. Competition among property developers may increase the costs for land acquisitions and raw materials and administrative costs for hiring or retaining qualified personnel, result in shortages of skilled contractors and oversupply of properties, decrease property prices in certain parts of the PRC, and slowdown the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, any of which may adversely affect our business and financial condition. In addition, the PRC government’s recent measures designed to reduce land supply further increased competition for land among property developers. Certain of our competitors are well capitalized and have greater financial, marketing and other resources than we have. Some also have larger land banks, greater economies of scale, better brand recognition, longer track record and more established relationships with contractors, suppliers and customers in certain markets. Such property developers may be able to respond to changes in market conditions more promptly and effectively than we can, or may be more competitive in acquiring land through auction or other processes. If we are unable to maintain a competitive position with respect to the acquisition of land, adapt to changing market conditions or otherwise compete successfully with our competitors, our prospects, business, financial condition and results of operations may be materially and adversely affected.

In addition, we face intense competition as to our property operation services business and hotel services business at the national, regional and local levels. Competition in such businesses is based on quality of services, brand name recognition, geographic coverage, commission rates and range of services. Unlike property development business, such businesses have a low entry barrier and do not require significant capital commitments. This low entry barrier allows new competitors to enter into the market with relative ease. New and existing competitors may offer competitive rates, greater convenience or superior services, which could attract our customers away from us. Competition among companies providing such services may cause a decrease in commission rates and higher costs to attract or retain

talented employees. Furthermore, our relative competitive position varies significantly by service type and geographic area. Certain of our competitors may be smaller than us but may be more established and have greater market presence and brand name recognition on a local or regional basis, while certain competitors are large national and international firms that may have more financial or other resources than us. If we fail to compete effectively, our property operation services business and hotel services business may suffer and our results of operations may be materially and adversely affected.

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

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

The CBRC issued a regulation on September 2, 2004 to limit mortgage loans on properties to no more than 80% of the sale price of the underlying properties. On March 17, 2005, the PBOC set forth the minimum interest rate for property mortgage loans to 0.9 times the corresponding benchmark lending rates, resulting in an increase in the minimum interest rate for mortgages. In May 2006, the PRC government increased the minimum amount of down payment to 30% of the purchase price for properties with a GFA of more than 90 square meters. In September 2007, the minimum down payment for any purchase of second or subsequent residential property was increased to 40% of the purchase price if the purchaser had obtained a bank loan to finance the purchase of his or her first property. Moreover, the interest rate for bank loans for such purchases shall not be less than 110% of the PBOC benchmark lending rate of the same term and category. For further purchases of properties, there would be upward adjustments on the minimum down payment and interest rate for any bank loan. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In December 2007, the PBOC and CBRC issued another notice to clarify that, in determining the applicability of the relevant restrictions, the number of mortgage loans deemed to have been borrowed by a borrower shall include mortgage loans borrowed by any member of his or her family. In October 2008, in response to the global financial and economic crisis, the PBOC decreased the minimum amount of down payment for residential property purchases to 20% and reduced the minimum interest rate for mortgage loans for such purchases to 70% of the benchmark lending rate. However, despite such decrease in lending requirements, certain PRC banks have implemented their own internal restrictive conditions which limited the number of borrowers that can take advantage of the reduced requirements as announced by the PBOC. On April 17, 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 square meters. Further, pursuant to such notice, the interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. On September 29, 2010, the PBOC and the CBRC issued a notice, 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 a notice in 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 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 the CBRC issued a notice to provide that (i) the minimum mortgage loan interest rate for first-time purchasers of residential property is 70% of the benchmark lending interest rate; (ii) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (iii) in cities that have lifted restrictions on the purchase of

residential property by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. On March 30, 2015, the PBOC, the CBRC and the MOHURD jointly issued a notice that provides 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. See “Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—E. Transfer and Sale of Property—(iii) Mortgages of Property” and “Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—F. Property Credit.” In the event that mortgage loans for property purchases becomes more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on such financing may not be able to purchase our properties, which in turn will materially and adversely affect our business, financial condition and results of operations.

In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. If there are changes in laws, regulations, policies 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 are not aware of any impending changes in laws, regulations, policies or practices which will prohibit such practice in the PRC. However, we cannot assure you that such changes in laws, regulations, policies or practices will not occur in the future.

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

Proceeds from the pre-sales of our properties are an important source of funds for the respective property developments and have an impact on our cash flow and liquidity position. On August 5, 2005, the PBOC proposed in a report entitled “2004 Real Estate Financing Report (2004中國房地產金融報告)” that the practice of pre-selling uncompleted properties be discontinued, on the grounds that such practice creates significant market risks and generates transactional irregularities. While such proposal has not been adopted by any PRC government authorities and has no mandatory effect, we cannot assure you that the PRC government will not ban or impose material limitations on presales of uncompleted properties in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property development. This, in turn, could have a material and adverse effect on our business, financial condition and results of operations.

We are exposed to pre-sale related contractual and legal risks

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we pre-sell units in a property development and we fail to complete that development, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, we may be liable to the relevant purchasers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A purchaser may also claim damages against us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. We cannot assure you that we will not experience delays in the completion and delivery of our properties, nor that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant pre-sale contract.

We cannot assure you that services performed by independent contractors will always meet our quality standards and timing requirement or will be available within our budget

We engage independent contractors to provide various services, including but not limited to construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We generally select independent contractors through an open tender process. We cannot assure you that we will be able to obtain services from independent contractors within our budget or at all, or the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet our quality and safety standards and our timing requirement. If the performance of any independent contractor is not satisfactory or is delayed, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Moreover, the completion of our property developments may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

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

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

We may be subject to legal and business risks if we fail to obtain, renew or keep necessary qualification certificates for our property development, property operation services, hotel services, property investment and property agency services businesses

Property developers in the PRC must obtain a qualification certificate in order to engage in property development businesses in the PRC. Property developers in the PRC must also produce a valid qualification certificate when they apply for a pre-sale permit. According to the Provisions on Administration of Qualifications of Property Developers (房地產開發企業資質管理規定), newly established property developers must first apply for a provisional qualification certificate, which is valid for one year and can be renewed for a maximum of two additional years. A property developer is required to obtain a formal qualification certificate before its provisional qualification certificate expires. All formal qualification certificates are subject to verification on an annual basis. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. See "Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—C. Qualifications of a Property Development Enterprise."

As of December 31, 2014, we had 36 project companies that were, or expected to be, engaged in the property development business, of which 28 had obtained formal qualification certificates, and 8 had obtained provisional qualification certificates. If any of our project companies that are, or expect to be, engaged in property development business is unable to meet the relevant requirements and therefore unable to obtain or renew its provisional qualification certificate, obtain its formal qualification certificate when its provisional qualification certificate expires, or pass the annual verification of its formal qualification certificate, such project company will be given a deadline within which it has to meet these requirements and it will also be subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the deadline could result in the revocation of the qualification certificate and the business license of the relevant project company. We cannot assure you that we will be able to pass the annual verification of the qualification certificates of each of our project companies or that we will be able to renew our provisional qualification certificates or obtain formal qualification certificates in a timely manner, or at all, as and when the provisional qualification certificates expire.

Our PRC subsidiaries engaged in the property operation services (including property management services, building equipment installation, maintenance and repair services and information network services), hotel services and property investment businesses are required to obtain relevant qualification certificates from competent PRC government agencies for the provision of their services and some such qualification certificates are subject to annual verifications.

As of December 31, 2014, all of our PRC subsidiaries engaged in the property operation services, hotel services and property investment businesses had obtained or were in the process of obtaining the required qualification certificates. We cannot assure you that our PRC subsidiaries engaged in the property operation services, hotel services and property investment businesses will be able to pass the annual verification of their qualification certificates or that we will be able obtain new qualification certificates for our subsidiaries that may engage in the property operation services, hotel services and property investment businesses in the future.

We are also subject to numerous national, regional and local laws and regulations specific to the property agency services. If we fail to properly file records or to obtain or maintain the licenses and permits for conducting property agency services, we may be ordered to cease conducting the relevant real estate services and be subject to warning, fines and revocation of its licenses. As the size and scope of real estate transactions have increased significantly during the past several years, both the difficulty of ensuring compliance with the multiple levels of licensing regimes and the possible loss resulting from non-compliance have increased.

The governmental authorities in the PRC have broad powers to suspend or revoke licenses and permits or not to grant or renew licenses or permits. If our PRC subsidiaries engaged in the property operation services, hotel services and property investment and property agency services businesses are unable to obtain, renew or keep their qualification certificates, they may not be permitted to continue their business, which could materially and adversely affect our business, financial condition, results of operations and reputation.

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

Property development projects require substantial capital expenditures prior to and during the construction period and the construction of a property project may take longer than a year before it generates positive cash flows through pre-sales, sales or leases. The progress and costs for a property development project can be adversely affected by many factors, including, without limitation:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- unforeseen engineering, design, environmental or geographic problems;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- discovery of artifacts in the construction site; and
- changes in government policies.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may affect our financial condition and results of operations and may also cause damage to our reputation. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to damages for late delivery. We cannot assure you that we will not experience any significant delays in completion or delivery or that we will not be subject to any liabilities for any such delays. If the delay extends beyond the contractually specified period, the purchaser would be entitled to terminate the purchase contract and claim damages. Therefore, any delay in completion of our property developments could have a material adverse impact on our business, financial condition and results of operations.

We may not be successful in expanding our business into new geographical regions or cities

Our revenues are primarily derived from our operations in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region. We expanded our operations to Central China in December 2013 and overseas to Singapore in the first half of 2013. We may expand into additional cities in these regions or expand into new regions and countries in the future. Such new countries, regions or cities may differ from our existing markets in terms of the level of economic development, demography, topography, property trends and regulatory practices. Therefore, we may not be able to replicate our successful business model in our existing markets to these other regions or cities. In addition, as we enter into new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behavior and preferences. Therefore, we may not be able to successfully leverage our existing experience to expand our property development, property operation services business, property agency services business and hotel services business into these other markets. We may also face intense competition from other developers, other companies that provide property operation services and other property agency companies with more established experience or presence in those markets.

We may expand our business into new segments of the property industry which may not be successful

We may expand our business into new segments of the property industry in the PRC as well as continue to expand the property services businesses that we currently operate including, among others, financial leasing, community P2P financial business, retirement life services and educational consultancy businesses. While we have accumulated experience in property development and in providing property operation services and property agency services, we cannot assure you that we will be able to leverage such experience and replicate our historical success when entering into new businesses. The expansion of our existing property services businesses and the expansion into new businesses may require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment, the difficulties of integrating new businesses into our existing businesses and the diversion of resources and attention of our management. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been rapidly expanding our operations in recent years. 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. 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.

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

Investment properties are relatively illiquid compared to other types of investments such as publicly traded equity securities. As of December 31, 2012, 2013 and 2014, we had investment properties amounting to RMB3,422.2 million, RMB4,012.8 million and RMB6,642.1 million (US\$1,070.5 million), respectively. As a result, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors that are beyond our control, including general economic conditions, the availability of mortgage financing and interest rates, and we cannot accurately determine the market price of our investment properties nor are we able to predict whether we will be able to sell any of our investment properties at the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to competition, age, decreased demand or other factors. Similarly, for certain investment properties to be sold, substantial capital expenditure may be required to correct defects or make improvements to the property due to factors such as change in building regulations or as a result of age, compounding the effort and time required. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could materially and adversely affect our business, financial condition and results of operations.

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

We provide property management services through Colour Life Services Group Co., Ltd. (“Colour Life”) and its subsidiaries (together with Colour Life, the “Colour Life Group”) and Fantasia Property Management (International) Company Limited to our own developed projects and the projects of other developers. We have designated our subsidiaries within the Colour Life Group as unrestricted subsidiaries in accordance with the indentures governing the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes, and will designate them as unrestricted subsidiaries in accordance with the Indenture. See “Business—Our Property Operation Business” for details regarding the restructuring and spin-off initial public offering of the Colour Life Group. We believe that property management is an integral part of our business and critical to the successful marketing and promotion of our property developments as well as an important source of revenue. Under the PRC laws and regulations, owners of the same residential community of certain scale have the right to change the property management service provider upon the consent from a certain percentage of the owners of such community. If owners of the properties that we manage choose to terminate our property management services, or property buyers dislike our property management services, our reputation and results of operations could be materially and adversely affected.

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

We believe our brands and trademarks are critical to our success. Any unauthorized use of our brands, trademarks and other intellectual property rights could harm our competitive advantages and business. Historically, China has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing 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, trademarks and other intellectual property rights, we may lose these rights and our business may suffer materially.

If the value of our brand or image diminishes, our business and results of operations may be materially and adversely affected

Our brands and images play an integral role in all of our business operations. Our continued success in maintaining and enhancing our brands and images depends to a large extent on our ability to satisfy customer needs by further maintaining and improving our product quality or quality of services across our operations, as well as our ability to respond to competitive pressures. If we are unable to satisfy customer needs or if our public image or reputation were otherwise diminished, our business transactions with our customers may decline which could in turn adversely affect our results of operations.

In addition, as we provide property operation services and property agency services to third party developers, our brand and images may be adversely affected as a result of significant quality defects in the properties developed by third party developers or negative publicity or other problems related to third party developers. The ability of our subsidiary to successfully sell or manage the properties of such third party developers may be materially and adversely affected, which may in turn adversely affect our long-term ability to attract purchasers for the properties we are contracted to sell, including those properties developed by us, or to attract management opportunities in respect of the properties developed by third party developers.

Our indebtedness could have an adverse effect on our financial condition, diminish our ability to raise additional capital to fund our operations and limit our ability to explore business opportunities

We maintain a certain level of indebtedness to finance our operations. As of December 31, 2014, the outstanding balance of our total debt (including aggregate outstanding borrowings, senior notes and amounts due to related parties) amounted to RMB14,542.5 million (US\$2,343.8 million). Our indebtedness described above could have an adverse effect on us, such as:

- requiring us to dedicate a large portion of our cash flow from operations to fund repayments on our debt, thereby reducing the availability of our cash flow to expand our business;

- increasing our vulnerability to adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding;
- restricting us from making strategic acquisitions or exploring potential business opportunities; and
- making it more difficult for us to satisfy our obligations with respect to our debt.

We have incurred and will continue to incur a significant amount of finance costs in relation to our indebtedness. A significant portion of our finance costs are capitalized rather than being expensed at the time it is incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Access to and Cost of Financing.”

In addition, as our indebtedness will require us to maintain an adequate level of cash flow from operations to satisfy our debt obligations as they become due, any decrease in our cash flow from operations in the future may have a material and adverse effect on our financial condition.

We guarantee mortgage loans provided to our purchasers and may be liable to the mortgagee banks if our purchasers default on their mortgage loans

We arrange for various domestic banks to provide mortgage loans to the purchasers of our properties. According to market practice, domestic banks require us to guarantee these mortgage loans until the relevant property ownership certificates are issued, which generally takes place within one to two years after we deliver possession of the relevant property to the purchasers, or until the loans are fully repaid, at which time such guarantees are released. 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 mortgagee banks. As of December 31, 2012, 2013 and 2014, our outstanding guarantees on the mortgage loans of our purchasers amounted to RMB2,750.8 million, RMB3,163.0 million and RMB4,778.1 million (US\$770.1 million), respectively, which were approximately 11.2%, 10.3% and 11.6%, respectively, of our total assets. The default rates on the mortgage loans provided to the purchasers of our properties against the total guarantees we provided in connection with such mortgage loans were negligible during the three-year period ended December 31, 2014. If a purchaser defaults under the mortgage loan and the mortgagee bank calls on our relevant guarantee after it deals with the relevant property through a default auction, we are required to repay the outstanding amount owed by the purchaser to the mortgagee bank under the mortgage loan, the mortgagee bank will assign its rights under the loan and the mortgage to us and we have full recourse to the property. 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 mortgaged properties or if we are unable to re-sell such properties due to unfavorable market conditions or other reasons.

Our results of operations may fluctuate from period to period

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that we have developed or that are under development are large scale and are developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our revenues for any given period.

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

We carry out some of our business through joint ventures or in collaboration with other third parties. Such joint venture arrangements or collaboration involve a number of risks, including:

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

Any of these and other factors may materially and adversely affect our business.

We may be required to forfeit land to the PRC government for failure to comply with the terms of the land grant contracts

Under the PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract, including those relating to payment of fees, designated use of land and schedule for commencing and completing the developments, the relevant government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. Specifically, under current PRC laws and regulations, if property developers 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 to the property developers and impose an idle land fee on the land of up to 20% of the land premium. If a property developer fails to commence development for more than two years from the commencement date stipulated in the land grant contract, the land may be subject to forfeiture to the PRC government. Moreover, even if the property developer commences the land development in accordance with the land grant contract, the relevant land will nonetheless be treated as idle land if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and (ii) the land development has been suspended for over one year without governmental approval. See "Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—D. Development of a Property Project."

Except as otherwise disclosed in this offering memorandum, during the years ended December 31, 2012, 2013 and 2014, we were not subject to any penalty for late payment of land premiums and were not required to forfeit any land nor have we received any warning from the relevant governmental authorities or paid any penalties as a result of failing to commence development within two years of the relevant land grant contract. While we have complied with all development plans and payment obligations, there have been circumstances where the development of a portion of land for which our Group was granted land use rights was delayed beyond the date stipulated in the relevant land grant contract. As confirmed by relevant government authorities, in each case such delays were caused by force majeure, acts of government or preliminary work that was required to be undertaken prior to the commencement of development. According to relevant PRC laws and regulations, any delay in the commencement of development that can be attributed to any of the above factors will not result in the forfeiture of idle land and land grant deposits, or the imposition of any other penalty. Accordingly, Commerce & Finance Law Offices, our PRC legal counsel, are of the opinion that as of December 31, 2014, no such penalty had been imposed on us in respect of the above-mentioned delays. However, we cannot assure you that circumstances leading to forfeiture of land or delays in the completion of a property development may not arise in the future. If we are required to forfeit land, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover development costs and other costs incurred up to the date of forfeiture.

We are required to deliver individual property ownership certificates in a timely manner and the failure to do so may result in claims against us

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

The relevant PRC tax authorities may challenge the basis on which we have been paying our LAT obligations and our results of operations and cash flows may be materially and adversely affected

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to the land appreciation tax (“LAT”) at progressive rates ranging from 30% to 60% of the “appreciated value of the property,” as such term is defined in the relevant tax laws. See “Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—J. Major Taxes Applicable to Property Development Enterprises—(iii) Land Appreciation Tax.” There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible expense items allowed under the relevant LAT regulations. This exemption is not available for sales of luxury residential properties, villas and commercial properties. It is not clear whether the residential portion of our mixed residential and commercial developments will be eligible for the exemption available to ordinary residential properties. In 2012, 2013 and 2014, we recorded a LAT expense in the amount of RMB580.1 million, RMB576.9 million and RMB382.5 million (US\$61.6 million), respectively, and we paid LAT in the amount of RMB244.6 million, RMB262.7 million and RMB415.8 million (US\$67.0 million), respectively.

On December 28, 2006, the State Administration of Taxation (the “SAT”) issued the LAT Notice, which became effective on February 1, 2007. The LAT Notice sets forth, among other things, methods of calculating LAT and a time frame for settlement of LAT. On May 12, 2009, the SAT issued the Provisions on Administration of the Settlement of Land Appreciation Tax (土地增值税清算管理規程), which became effective on June 1, 2009 and stipulates in detail the procedures for settlement of LAT and methods of calculating LAT. Furthermore, in May 2010, the SAT issued two notices emphasizing issues concerning (i) income verification in connection with the settlement of LAT; (ii) the calculation of applicable exemptions under certain circumstances; and (iii) the minimum LAT prepayment rates applicable to different types of properties in different localities. See “Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—J. Major Taxes Applicable to Property Development Enterprises—(iii) Land Appreciation Tax.” We believe we have accrued all LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant PRC tax laws, less amounts previously paid under the levy method applied by relevant PRC local tax authorities. However, provisioning for LAT requires our management to use a significant amount of judgment with respect to,

among other things, the anticipated total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the various deductible items. As a result, the relevant PRC local tax authorities may not agree with our estimates or the basis on which we calculate our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the relevant PRC local tax authorities in the future, our results of operations and cash flows will be materially and adversely affected.

We are subject to multiple regulations of the PRC governmental authorities and any non-compliance or perceived non-compliance with these regulations may have a material and adverse effect on our business, financial condition and results of operations

Our business is regulated by various PRC governmental authorities and departments. If any PRC authority believes that we or any of our suppliers or contractors in the course of our operations are not in compliance with PRC regulations, it could delay or even shut down our construction or sales operations, refuse to grant or renew any necessary approvals or licenses, institute legal proceedings to seize our properties, enjoin future actions or impose civil and/or criminal penalties, pecuniary or otherwise, against us, our officers or our employees. Any such action by the PRC governmental authorities would have a material adverse effect on our business, causing delays to our development projects, or terminating them altogether. In recent years, the PRC Government has implemented many new laws and regulations or made amendments to existing regulations concerning property developers. We cannot guarantee that our business and development projects are fully compliant with the laws and regulations. If we are found to have breached, or are accused of having not complied with, or in the future do not comply with, any applicable PRC laws and regulations, we may be subject to the imposition of penalties or even suspension of business and confiscation of any acquired land. In such event, our business and reputation may be materially and adversely affected.

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

Our future success depends heavily upon the continuing services of our executive directors and members of our senior management team, in particular, our chairman, executive director and chief executive officer, Mr. Pan and our executive director, Ms. Zeng. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, as competition in the PRC for senior management and key personnel with experience in property development is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected. If any of our senior management or key personnel fails to comply with any applicable laws and regulations, including PRC and other applicable anti-corruption laws and regulations, or is subject to any investigation related to such failure or alleged failure by any regulatory body, our reputation, business, financial conditions and results of operations could be materially and adversely affected.

We face competition for qualified employees in the property industry which may make it difficult for us to retain and recruit enough employees for the expansion of our business

Our long-term success depends on our ability to attract and retain qualified employees. We require a large number of qualified employees for each stage of our property development process and for our property operation services, property agency services and hotel services businesses. We expect to recruit more qualified employees as we continue to strengthen our existing business or expand our business into new geographical regions and into other segments of the real estate industry. The growth of the property industry in China has created an increasing demand for qualified employees in each segment of the property industry. While we have implemented certain measures aimed to promote effective recruitment and retention of our employees, we cannot assure you that these measures will be effective. If we are unable to recruit or retain a sufficient number of qualified employees for the continuation and expansion of our business, our business and prospects may be adversely affected.

We may suffer losses arising from uninsured risks

In line with industry practice, we do not maintain insurance for destruction of or damage to our property developments (whether they are under development or have been completed and are pending delivery) other than with respect to those properties over which our lending banks have security interests, for which we are required to maintain insurance coverage under the relevant loan agreements. Similarly, we do not carry insurance covering construction-related personal injuries. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on work sites. We cannot assure you that we would 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 or 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 may have a material adverse effect on our business, financial condition and results of operations.

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

When the PRC government grants the land use rights for a piece of land, it will specify in the land grant contract the designated use of the land and the total GFA that the developer may develop on this land. The actual GFA constructed, however, might have exceeded the total GFA authorized in the land grant contract due to various factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of such excess GFA. If we fail to obtain the completion certificate due to such excess GFA, we will not be allowed to deliver the relevant properties to the purchasers or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. We cannot assure you that the total constructed GFA of our existing projects under development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to pay the additional land premium and obtain the completion certificate on a timely basis.

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

Many of the residential projects developed by us have ancillary facilities such as schools that enhance the value of properties in such projects by providing convenience and a better living environment to residents. We do not, however, own or operate any of these ancillary facilities except for clubhouses and therefore cannot guarantee that these ancillary facilities will continue to operate and provide services to residents in the properties developed by us. In the event that any of these ancillary facilities cease to operate and we cannot arrange for replacement services, properties in the affected project will become less attractive to potential purchasers, which will adversely affect our business to the extent that we have properties unsold or held for investment purposes in such project. In addition, our reputation may also be adversely affected as a result of the unavailability of such ancillary facilities.

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

As of the date of this offering memorandum, our controlling shareholder, Fantasy Pearl International Limited ("Fantasy Pearl") holds 57.35% of our outstanding shares. Fantasy Pearl, and our ultimate controlling shareholders, Ms. Zeng Jie, Baby and Ice Apex Limited ("Ice Apex"), have and will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our creditors', including the holders of the Notes, best interests, including matters relating to our management and policies and the election of our directors and senior management. Ms. Zeng Jie, Baby and Ice Apex will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or

decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. For more information, see “Management,” “Principal Shareholders,” and “Related Party Transactions.”

We may be involved in legal and other proceedings arising out of our operations from time to time and may incur substantial losses and face significant liabilities as a result

We may be involved in disputes with various parties involved in the development and sale of our properties, including business partners, contractors, suppliers, construction workers and purchasers. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our development schedule, and the diversion of resources and management’s attention, regardless of the outcome. As most of our projects are developed in multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. These disputes and legal and other proceedings may materially and adversely affect our reputation, business, results of operations and financial condition. The judicial process involved may decrease the time we devote to normal and customary operating functions. If we fail to resolve these disputes in our favor, we may incur substantial losses and face significant liabilities. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties and/or delay our property developments. Furthermore, if our PRC subsidiaries are not in full compliance with PRC laws and regulations, including those in relation to registered share capital, business licenses, operation permits and their articles of association, their operations may be adversely affected if they are subject to fines or sanctions imposed by PRC authorities as a result. In such cases, our results of operations and cash flow could be materially and adversely affected.

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

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

Property developers in the PRC 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 location, the environmental condition and the present and former uses of the site, as well as adjacent properties. The relevant property development project may be delayed due to our efforts to comply with environmental laws and regulations may result in delays in development. In some environmentally sensitive regions or areas, the compliance costs could be prohibitively expensive. In addition, each property development project is required by the relevant PRC laws and regulations to undergo environmental assessments and to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting to RMB50,000 to RMB200,000 for each project.

The environmental investigations conducted relating to each of our property development projects to date have not revealed any material environmental liability. However, it is possible that these investigations did not reveal all environmental liabilities and there may be environmental liabilities of which we are unaware that may have a material adverse effect on our business, financial condition or results of operations. For additional information, see “Our Business—Environmental Matters.”

The valuation attached to our property interests contains assumptions that may or may not materialize

Under HKFRS, we are required to reassess the fair value of our completed investment properties at the date of every statement of financial position. Our valuations are generally based on a direct comparison approach, under which our investment properties are directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of

capital values, and an income approach by taking into account the net rental income of properties. Gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. Our investment properties were revalued as of December 31, 2012, 2013 and 2014, respectively, on an open market and existing use basis which reflected market conditions on those dates. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development and planned for future development, the valuations are based on assumptions that (1) the properties will be developed and completed in accordance with the development proposals, (2) regulatory and governmental approvals for the proposals have been obtained, (3) all premiums in connection with the properties have been paid and the properties are free of encumbrances and other restrictions and (4) we are in possession of the proper legal titles and are entitled to transfer the properties at no extra land premium. For properties owned by the project companies in which we have an attributable interest of less than 100%, the valuation assumes that the interest of the relevant project companies in the aggregate value of the property or business is equal to our proportionate ownership interest in the relevant company or business. Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values.

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

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

We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income

The Enterprise Income Tax Law (“EIT Law”) and the implementation regulations to the EIT Law issued by the PRC State Council became effective on January 1, 2008. Under the EIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate on their global income. It is, however, currently unclear under what situations an enterprise’s “de facto management body” would be considered to be located in China. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which defines the term “management body” in respect of enterprises that are established offshore by PRC enterprises. However, no definition of “management body” is provided for enterprises established offshore by private individuals or foreign enterprises like us. As such, Commerce & Finance Law Offices, our PRC legal counsel, has advised us that there is uncertainty whether we will be deemed to be a PRC “resident enterprise” for the purposes of the EIT Law. As of the date of this offering memorandum, the relevant PRC tax authorities have not notified us that, nor have we sought clarification as to whether, we or any of our non-PRC subsidiaries are considered a PRC resident enterprise for the purpose of the EIT Law. Substantially all of our management is currently based in China, and therefore, we may be treated as a PRC “resident enterprise” for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the EIT Law or the implementation regulations.

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

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur, including the Notes. The ability of our direct and indirect subsidiaries to pay dividends to their shareholders (including us, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any) is subject to applicable laws and restrictions contained in the debt instruments and obligations of such subsidiaries. Furthermore, under applicable PRC laws, rules and regulations, payment of dividends by our PRC subsidiaries is permitted only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Under PRC laws, rules and regulations, all of our PRC subsidiaries are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their respective statutory capital reserve funds until the accumulative amount of such reserves reaches 50% of their respective registered capital. As a result, all of our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. As of December 31, 2014, our restricted reserves totaled RMB353.6 million (US\$57.0 million). Our restricted reserves are not distributable as cash dividends. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, pay dividends or otherwise fund and conduct our business.

Risks Relating to Our Industry

PRC government policies, regulations and measures intended to curtail the overheating of the property market may adversely affect our business

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the scale of the increase in property investments, the PRC government has introduced policies to curtail property development. On March 26, 2005, the General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) requiring measures to be taken to restrain the prices of residential properties from increasing too fast. On May 9, 2005, the General Office of the State Council approved the Opinion on Improving the Works on Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見) issued by seven departments of the State Council, setting out guidelines for the relevant PRC authorities to control the rapid growth in the residential property market. On May 24, 2006, the General Office of the State Council approved 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) issued by nine departments of the State Council. On September 27, 2007, PBOC and CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知). These measures, among others, imposed various restrictions on lending funds to property developers and extending mortgage loans to property purchasers. These measures also provide that the total area of units with a GFA of less than 90 square meters must equal at least 70% of a residential housing project's total GFA. On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Price from Increasing too rapidly in Certain Cities (國務院關於堅決遏制部分城市房價過快上漲的通知) (the "April 17 Notice"), pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 square meters. The notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of PBOC benchmark lending rate. See "Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—F. Property Credit." We cannot assure you that the governmental authorities will not require us to modify our development plans or that these new measures will not adversely impact our business due to the uncertainties involved in implementing these new measures.

On July 11, 2006, the MOC, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly issued the 171 Opinion which aims to regulate access by foreign investors to the domestic property market and to strengthen supervision over property purchases by foreign-invested enterprises. The 171 Opinion provides for, among other things, stricter standards for a foreign institution or an individual when purchasing real property in the PRC that is not intended for personal use. On May 23, 2007, MOFCOM

and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進壹步加強、規範外商直接投資房地產業審批和監管的通知), or the “Notice 50,” which imposed additional restrictions and requirements on foreign investment in the real estate industry. See “Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—B. Foreign-invested Property Enterprises.”

In accordance with the Notice on the Adjustment of Business Tax for the Sale of Individual Homes (關於調整個人住房轉讓營業稅政策的通知) revised by the Ministry of Finance of the People’s Republic of China (“MOF”) and the SAT on January 27, 2011, individuals who purchased their house for self-residential purposes may, five or more years after the purchase, resell their house without paying business tax. Individuals who have purchased their house for any purpose other than self-residential shall, if they owned it for five years or more, pay business tax on the net profit (the difference between the original price and the sales price). Individuals who have owned their house for less than five years shall pay business tax on the full sales price regardless of the purpose for which it was purchased. Such tax policy may curtail the market demand for residential properties and as a result, our business and future prospects may be materially and adversely affected.

In addition, on January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. According to the Circular Regarding the Opinion Concerning the Key Issues of Economic Structure Reform in 2012 (轉發關於2012年深化經濟體制改革重點工作意見的通知) issued by the State Council on March 18, 2012, the scope of such pilot property tax schemes shall be expanded to more cities or districts. Such new tax policies, once enacted, may further curtail the market demand for residential properties and as a result, our business and future prospects may be materially and adversely affected.

On February 20, 2013, the State Council announced five measures on the control of the PRC property market, including: (1) stabilizing property prices. Each major city in China is required to compile and announce its target for 2013 on how to control the prices of newly completed commodity properties; (2) strictly limiting speculative purchase of properties. Restrictions on purchasing commodity properties should be strictly implemented; expand the scope of experimental taxation against residential properties held by individuals; (3) increasing the supply of small to medium-sized commodity properties and lands; (4) accelerating the construction of housing for low-income individuals; and (5) strengthening the supervision of the property market.

On March 1, 2013, the State Council issued the Notice on Continuing Adjustment and Control of Property Markets (《關於繼續做好房地產市場調控工作的通知》) which, among other restrictive measures, provides that further restraining measures are to be adopted to strengthen the regulation of the real estate market. Major cities which have implemented the commodity housing purchase restrictions are required to enforce purchase restrictions in all administrative areas of cities and restricted housing are to include new commodity housing and second-hand housing. Non-local residents who have one or more residential property and fail to provide one-year or longer tax payment certificates or social insurance payment certificates will be barred from purchasing any residential properties located in the administrative areas subject to restrictions. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the Notice stipulates that the state will strictly enforce a 20% tax on profits from sales of homes. Financial institutions, subject to credit requirements being satisfied, will prioritize requests for mortgages for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project. In 2013, several municipal governments, such as Shanghai, Guangzhou and Nanjing, adopted policies to raise minimum down payment for the second residential property owned by an individual to 70% of the purchase price and require longer period of payment of local tax or social insurance before a non-resident individual can buy any residential property.

Although the various control measures are intended to promote more balanced property development in the long term, we cannot assure you that these measures will not adversely affect the development and sales of our properties. In addition, although the PRC government has, due to the recent global financial and economic crisis, introduced an offsetting stimulus package, which included the reduction of deed taxes for first-time purchasers of ordinary residential property of less than 90 square

meters, the waiver of stamp duty fees for individuals who are purchasing or selling ordinary residential properties, and the exemption of land appreciation tax for individuals who are selling ordinary residential properties, among other benefits, there is no assurance that such policy would remain and that the various control measures would not be re-implemented once the economy stabilizes, which may adversely affect our business, results of operations and financial condition.

The PRC government has imposed restrictions on the ability of PRC property developers to receive offshore funds which may delay or prevent us from deploying the funds raised in this offering to our business in China and therefore materially and adversely affect our liquidity and our ability to fund and expand our business

On July 10, 2007, the General Affairs Department of SAFE issued the Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知), or the “SAFE notice.” The SAFE notice stipulates, among other things, (i) that SAFE will no longer process foreign debt registrations or applications for the purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or alteration of such registrations) or applications for the sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment which obtained approval certificates from local government commerce departments on or after June 1, 2007 but which did not register with MOFCOM. This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans. Nonetheless the SAFE notice does not restrict property developers from receiving foreign capital by way of increasing the registered capital of existing foreign-invested companies or through the establishment of new foreign-invested real estate companies, provided that such registered capital increase or new company establishment has been duly approved by local branches of MOFCOM and registered with MOFCOM or duly approved by MOFCOM.

Like other foreign-invested PRC property developers we are subject to the SAFE notice. We intend to repatriate any offshore funds that we may raise in the future by increasing the registered capital of our existing subsidiaries or by establishing new subsidiaries. Following the implementation of the SAFE notice, we have successfully remitted foreign funds from our offshore holding entities into a number of our PRC subsidiaries through increasing their respective registered capitals and registering each such increase with MOFCOM. However, we cannot assure you that we will be able to obtain in a timely manner, if at all, all necessary foreign-exchange approval certificates for the deployment of offshore funds, or that we will be able to obtain in a timely manner, if at all, any registration of new foreign-invested subsidiaries or additional registered capital increases in the future. Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to repatriate to China the funds raised in this offering. If we fail to repatriate to China any or all of the net proceeds raised in this offering, our liquidity and our ability to fund and expand our business could be adversely and materially affected.

In addition, any capital contributions made to our operating subsidiaries in China are also subject to the foreign investment regulations and foreign exchange regulations in the PRC. For example, in accordance with a circular promulgated by the SAFE in August 2008 with respect to the administration of conversion of foreign exchange capital contribution of foreign invested enterprises into Renminbi (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contribution can only be applied to the activities within the approved business scope of such foreign-invested enterprise and cannot be used for domestic equity investment or acquisition. Pursuant to this SAFE Circular, we may encounter difficulties in increasing the capital contribution to our project companies and subsequently converting such capital contribution into Renminbi for equity investment or acquisition in China. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make capital contributions to our project companies as their general working capital or to fund their operations may be negatively affected, which could materially and adversely affect our results of operations.

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

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

The lack of a liquid secondary market for private property may discourage the acquisition of new properties as resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights may inhibit demand for property developments, property operation services and property agency services.

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

Land parcels acquired by property developers for future development may have existing buildings or other structures or be occupied by third parties. In accordance with the Building on State-owned Land Expropriation and Compensation Regulation (國有土地上房屋徵收與補償條例) and applicable local regulations, a property developer in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development, directly or indirectly through the local government, and to provide compensation for their relocation and resettlement. The compensation payable by the property developer is calculated in accordance with a pre-set formula determined by the relevant provincial authorities, which may be subject to change. If such compensation formula is changed and the levels of compensation increased, land acquisition costs for property developers may be subject to substantial increases. In addition, if property developers or the local government fail to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay a project's timetable. Such delays may lead to an increase in cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects. If we experience an increase in resettlement costs or experience delay due to our inability to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

Risks Relating to the PRC

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

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

operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

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

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

Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively

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

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

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則) issued on January 5, 2007 by SAFE and relevant notice issued by SAFE in February 2012, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to obtain the approval of SAFE and complete certain other procedures related to the share options or other share incentive scheme. However, no requirements or administrative rules have been issued by SAFE in connection with the registration process for employees of overseas non-listed companies that participate in employee stock holding plans or stock option plans. In addition, foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into a foreign currency account of such PRC citizen or exchanged into Renminbi. Our PRC citizen employees who may be granted share options or restricted share units in the future, or our future PRC option holders, will be subject to the

Individual Foreign Exchange Rules. If we or our future PRC option holders fail to comply with these regulations, we or our future PRC option holders may be subject to fines and legal or administrative sanctions.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on foreign laws against us, our directors and our senior management

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, the substantial majority of our directors and senior management reside within China. As a result, it may not be possible for investors to effect service of process outside China upon the substantial majority of our directors and senior management. Moreover, China does not have treaties with the United States, the United Kingdom or many other countries providing for the reciprocal recognition and enforcement of the judgment of courts. As a result, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult.

The national and regional economies may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, natural disasters or severe weather conditions, thereby affecting our business prospects

In May 2008, a major earthquake and aftershocks struck Sichuan province in southwestern China. The epicenter was approximately 80 kilometers from Chengdu. In April 2013, another earthquake and aftershocks struck Sichuan province again and the epicenter was approximately 100 kilometers from Chengdu. We had 13 development projects comprised of three developed projects and ten projects that were under development or held for future development in Chengdu. While none of these projects suffered any material physical damages from the earthquake, some completed properties suffered minor damages such as cracks on the walls. While we do not have any legal liability to our customers for such damages as they were caused by the earthquake, which constitutes force majeure, we decided to repair such cracks for our customers at our own costs in order to increase our customer satisfaction and enhance our reputation as a responsible property developer. After the 2008 earthquake, construction of our projects in Chengdu was also suspended for about two months in compliance with orders issued by the local government that were applicable to all construction projects in Chengdu after the earthquake. Sale of our properties in Chengdu also dropped significantly during the few months after the 2008 earthquake. Our business could be materially adversely affected if any other natural disasters occur in the regions that we have business. In addition, certain areas of China are susceptible to epidemics, such as Severe Acute Respiratory Syndrome (“SARS”), the H1N1 influenza, also known as swine flu, or avian influenza, natural disasters or severe weather conditions. In April 2013, there were reports of cases of H7N9 avian flu in southeast China, including deaths in Shanghai. A recurrence of SARS, an outbreak of H1N1, H7N9 or avian influenza or any other epidemics, natural disasters or severe weather conditions in China could adversely affect the regional and national economies of Asia, including China, and could also result in material disruptions to our property developments and property related services and reduce the value of our investment properties, which in turn would adversely affect our financial condition and results of operations.

Risks Relating to the Notes

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

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

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2014, our Non-Guarantor Subsidiaries had total liabilities in the amount of RMB8,780.2 million (US\$1,415.1 million), capital commitments in the amount of RMB4,217.1 million (US\$679.7 million) and contingent liabilities arising from guarantees in the amount of RMB4,642.6 million (US\$748.3 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

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

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total borrowings (including both current and non-current borrowings but excluding the 2010 Notes, the 2012 Notes, the January 2013 Notes, the May 2013 Notes, the 2014 Notes and amounts due to related parties) as of December 31, 2012, 2013 and 2014 were RMB5,552.4 million, RMB6,995.4 million and RMB7,774.4 million (US\$1,253.0 million), respectively.

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

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Indentures, the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenants. Under such covenants, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants, once our 2012 Notes, January 2013 Notes, May 2013 Notes and 2014 Notes are fully redeemed or their terms are similarly amended, could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), once our 2012 Notes, January 2013 Notes, May 2013 Notes and 2014 Notes are fully redeemed or their terms are similarly amended, our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional debt, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See “—The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future.”

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. In addition, certain of our PRC loans are guaranteed by our executive director and controlling shareholder, Ms. Zeng and/or our chairman, executive director and chief executive officer, Mr. Pan. If we are unable to service our indebtedness, or if our guarantors are unable to perform their guarantee obligations and we are unable to secure alternative guarantees, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

We will designate subsidiaries within the Colour Life Group and other subsidiaries, and may in the future designate other subsidiaries, as Unrestricted Subsidiaries under the Indenture, which will not be subject to various covenants under the Indenture; and we and our Restricted Subsidiaries may be able to make dividend payment in shares of our Unrestricted Subsidiaries under the Indenture

We plan to designate subsidiaries within the Colour Life Group and a number of other subsidiaries as Unrestricted Subsidiaries on the Original Issue Date under the Indenture. Subject to certain conditions, including, among other things, the absence of a continuing default at the time of and after giving effect to

such designation, we may also designate any Restricted Subsidiary as an Unrestricted Subsidiary in the future. In addition, we have the flexibility under the terms of the Notes to designate any subsidiary in the Restructuring Group (as defined under “Description of the Notes—Definitions”) as Unrestricted Subsidiaries. The effects of designation of an entity as an Unrestricted Subsidiary include, but are not limited to:

- the business, assets and liabilities of such entity will no longer be part of the credit underlying the Notes;
- such entity will not be subject to the restrictive covenants applicable to Restricted Subsidiaries under the Indenture;
- as applicable, the Subsidiary Guarantees of such entity may be released, and the shares of such entity previously pledged to the collateral agent or the trustee for the benefit of the holders of the Notes may be released; and
- interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense (as defined under “Description of the Notes—Definitions”), other than such interest expenses on Indebtedness that is Guaranteed by the Company or a Restricted Subsidiary.

As a result of any such designation, the value of assets subject to the restrictive covenants under the Indenture may decrease and the market pricing and trading of the Notes may be materially affected. In addition, we will be able to pay dividends or make distributions on or with respect to our or our Restricted Subsidiaries’ capital stock in shares of capital stock of any Unrestricted Subsidiary, as long as there is no default at the time of, and after giving effect to, such dividend payment or distribution under the Indenture. Accordingly, you are cautioned as to our intended initial designation of Unrestricted Subsidiaries under the Indenture, notably the subsidiaries within the Colour Life Group, and our ability to designate further Unrestricted Subsidiaries subject to the conditions set forth in the Indenture.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries are subject to certain dividend distribution limitations. See “Description of Material Indebtedness and Other Obligations—PRC Loan Agreements.” In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation

arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan 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 events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. 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 satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their respective affiliates may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

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

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

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

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

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

We may be treated as a PRC resident enterprise for PRC tax purposes. See “—Risks Relating to Our Business—We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income.” If we are deemed a PRC resident enterprise, the interest payable on the Notes may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest we pay with respect to the Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC “resident enterprise.” If we are required under the EIT Law to withhold PRC income tax on interest payable to our foreign noteholders that are “non-resident enterprises,” we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

In the event we are treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the Notes—Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in specified tax law or

certain other circumstances, including any change in interpretation or statement of the official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

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

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

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our 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 obligations under the Notes.

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

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

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

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

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

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 15% of our total assets. See “Description of the Notes.”

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

The Notes are a new issue of securities for which there is currently no trading market. Although Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the Official List of the SGX-ST, or that, even if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled “Transfer Restrictions.” No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

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

The Notes are expected to be assigned a rating of B by Standard and Poor’s Ratings Services and B3 by Moody’s Investors Service. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor’s Rating Services and a corporate family rating of B2 with a stable outlook by Moody’s Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a “connected person” of such listed company, on the other hand, is a “connected transaction” that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of “connected person” to a listed company includes, among others, any 10% or more

shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of “connected person” also captures “associates,” which include, among others, (a) any subsidiary of such “connected person,” (b) any holding company of such “connected person” and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

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

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

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

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

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

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

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

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

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for

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

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

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

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

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of PRC or their future PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. See the section entitled “Description of the Notes—The Subsidiary Guarantees and JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. Moreover, the charge over the shares of the offshore subsidiaries of the Company (the “Collateral”) will not include the capital stock of our existing or future Non-Guarantor Subsidiaries, including our PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. See the section entitled “—Risks Relating to the Notes—We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the capital stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 10% of our total assets.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale

or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions including a cap on the non-guaranteed portion of the assets of JV Subsidiary Guarantors). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

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

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

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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

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

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

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the

prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The pledge of certain Collateral may in some circumstances be voidable

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

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

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

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

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

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

The Collateral will be shared on a *pari passu* basis by the holders of the Notes and the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

The pledge of certain Collateral may be released under certain circumstances

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

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

The Collateral Agent (as defined under “Description of the Notes—Definitions”) is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes, the holders of the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes and holders (or representatives or agents) of the Permitted Pari Passu Secured Indebtedness (as defined under “Description of the Notes—Definitions”), given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect the Company’s entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company’s ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors’ ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and holders, creditors or representatives of the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes and the Permitted Pari Passu Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement, instruct the Collateral Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes and the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral against any loss, liability or expense.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$194.5 million, which we plan to use to refinance certain of our existing indebtedness.

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

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

On May 18, 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The 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 following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
(RMB per US\$1.00)				
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2303	6.3085	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
November	6.1429	6.1249	6.1459	6.1117
December	6.2046	6.1886	6.2256	6.1490
2015				
January	6.2495	6.2181	6.2535	6.1870
February	6.2695	6.2518	6.2695	6.2399
March	6.1990	6.2386	6.2741	6.1955
April	6.2018	6.2010	6.2185	6.1927
May (through May 15)	6.2051	6.2053	6.2086	6.2001

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

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

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
(HK\$ per US\$1.00)				
2009	7.7536	7.7513	7.7618	7.7495
2010	7.7810	7.7692	7.8040	7.7501
2011	7.7663	7.7793	7.8087	7.7634
2012	7.7507	7.7569	7.7699	7.7439
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
November	7.7548	7.7543	7.7572	7.7519
December	7.7531	7.7541	7.7616	7.7509
2015				
January	7.7529	7.7531	7.7563	7.7508
February	7.7559	7.7551	7.7584	7.7517
March	7.7540	7.7584	7.7686	7.7534
April	7.7513	7.7509	7.7525	7.7495
May (through May 15)	7.7505	7.7522	7.7539	7.7505

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated cash and cash equivalents, short-term debt and capitalization as of December 31, 2014 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses of this offering payable by us. The following table should be read in conjunction with the selected consolidated financial information and the audited consolidated financial statements and related notes included in this offering memorandum.

	As of December 31, 2014			
	Actual		As adjusted	
	RMB	US\$	RMB	US\$
		(unaudited)	(unaudited)	(unaudited)
	(in thousands)			
Cash and cash equivalents⁽¹⁾	3,465,299	558,505	4,672,094	753,005
Short-term borrowings				
Borrowings – due within one year	4,122,925	664,495	4,122,925	664,495
Amount due to a non-controlling shareholder	419,960	67,685	419,960	67,685
Amounts due to joint ventures	996,467	160,601	996,467	160,601
Long-term borrowings⁽²⁾				
Borrowings – due after one year	3,651,475	588,511	3,651,475	588,511
Amount due to a non-controlling shareholder	686,667	110,671	686,667	110,671
Senior notes ⁽³⁾	6,022,081	970,583	6,022,081	970,583
Notes to be issued	–	–	1,206,795	194,500
Total long-term borrowings	10,360,223	1,669,765	11,567,018	1,864,265
Total equity	11,412,374	1,839,341	11,412,374	1,839,341
Total capitalization⁽⁴⁾	21,772,597	3,509,106	22,979,392	3,703,606

Notes:

⁽¹⁾ Cash and cash equivalents exclude restricted bank deposits of RMB272.7 million (US\$44.0 million).

⁽²⁾ Subsequent to December 31, 2014, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. See “Description of Material Indebtedness and Other Obligations.” These additional borrowings are not reflected in the table above. As of March 31, 2015, we had total bank borrowings (including short-term and long-term bank borrowings) of RMB6,003.8 million (US\$968.4 million).

⁽³⁾ Senior notes refer to the 2010 Notes, the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes. The 2010 Notes matured and were repaid in full as of May 12, 2015. As of December 31, 2014, 2010 Notes in an aggregate principal amount of US\$120.0 million (RMB744.6 million) were outstanding.

⁽⁴⁾ Total capitalization includes total long-term borrowings plus total equity.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2014.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated statement of comprehensive income data for 2012, 2013 and 2014 and the selected consolidated statement of financial position data as of December 31, 2012, 2013 and 2014 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte, the independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The selected financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Selected Consolidated Statement of Comprehensive Income and Other Financial Data

	For the year ended December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)			
	(in thousands)			
Revenue	6,230,050	7,279,828	7,305,950	1,177,505
Cost of sales	(3,709,778)	(4,486,269)	(4,499,138)	(725,129)
Gross profit	2,520,272	2,793,559	2,806,812	452,376
Other income, gains and losses	31,800	385,511	(13,301)	(2,144)
Change in fair value of investment properties	167,876	167,319	575,840	92,809
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	330,257	10,177	95,665	15,418
Selling and distribution expenses	(314,100)	(315,184)	(269,719)	(43,471)
Administrative expenses	(291,966)	(487,390)	(585,730)	(94,403)
Finance costs	(57,698)	(260,294)	(290,948)	(46,892)
Share of results of associates	417	675	56	9
Share of results of joint ventures	–	(6,714)	(12,663)	(2,041)
Gain on disposal of a subsidiary	–	116,644	223,707	36,055
Profit before taxation	2,386,858	2,404,303	2,529,719	407,717
Income tax expense	(1,261,209)	(1,174,112)	(1,157,408)	(186,540)
Profit for the year	1,125,649	1,230,191	1,372,311	221,176

For the year ended December 31,

	2012		2013		2014	
	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)	(unaudited)
	(in thousands)					
Profit for the year attributable to:						
Owners of the Company	1,139,241	1,215,038	1,255,341		202,324	
An owner of perpetual capital instrument	–	–	42,525		6,854	
Other non-controlling interests.	(13,592)	15,153	74,445		11,998	
	1,125,649	1,230,191	1,372,311		221,176	
Other Financial Data						
EBITDA ⁽¹⁾	1,996,712	2,579,407	2,267,909		365,521	
EBITDA margin ⁽²⁾	32%	35%	31%		31%	

Notes:

- (1) EBITDA for any period consists of profit from operating activities before change in fair value of investment properties and impairment loss recognized in respect of goodwill plus depreciation and amortization expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

Selected Consolidated Statement of Financial Position

	As of December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			
Non-current Assets				
Property, plant and equipment	585,687	905,241	1,541,882	248,506
Investment properties	3,422,233	4,012,828	6,642,075	1,070,508
Interests in associates	1,171	1,566	1,753	283
Interests in joint ventures	19,720	71,084	609,981	98,311
Available-for-sale investment	–	38,910	38,910	6,271
Goodwill	16,488	79,267	133,918	21,584
Intangible assets	–	907	26,850	4,327
Prepaid lease payments	822,252	1,233,811	884,550	142,564
Premium on prepaid lease payments	591,144	390,032	175,847	28,341
Land development expenditure	1,217,463	666,131	667,965	107,656
Other receivables	–	376,841	376,841	60,736
Deposits paid for acquisition of subsidiaries	6,890	150,000	262,550	42,315
Deposits paid for acquisition of a property project	126,004	132,346	136,648	22,024
Deposit paid for acquisition of land use rights	158,123	435,423	1,005,685	162,087
Deferred tax assets	329,372	393,454	498,714	80,378
	<u>7,296,547</u>	<u>8,887,841</u>	<u>13,004,169</u>	<u>2,095,892</u>
Current Assets				
Properties for sale	11,372,628	14,191,479	19,442,516	3,133,565
Prepaid lease payments	28,121	30,828	34,274	5,524
Premium on prepaid lease payments	19,219	10,853	3,678	593
Trade and other receivables	2,142,501	3,583,659	3,873,362	624,273
Amounts due from customers for contract works	52,482	41,059	59,460	9,583
Tax recoverable	77,179	46,114	34,130	5,501
Financial assets at fair value through profit or loss	42,200	–	–	–
Amount due from a joint venture	–	139,190	149,855	24,152
Restricted/pledged bank deposits	707,614	855,564	914,596	147,406
Bank balances and cash	<u>2,788,106</u>	<u>2,776,879</u>	<u>3,738,040</u>	<u>602,463</u>
	<u>17,230,050</u>	<u>21,675,625</u>	<u>28,249,911</u>	<u>4,553,059</u>

	As of December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			
	(unaudited)			
Current Liabilities				
Trade and other payables	2,603,457	2,453,629	5,516,143	889,041
Deposits received for sale of properties	4,186,104	4,678,224	3,386,888	545,867
Amounts due to customers for contract works	2,291	54,318	8,195	1,321
Amounts due to related parties	1,573	506	–	–
Amount due to a non-controlling shareholder	–	–	419,960	67,685
Amounts due to joint ventures	–	–	996,467	160,601
Tax liabilities	2,238,038	2,784,573	3,016,193	486,122
Borrowings – due within one year	2,452,294	2,053,357	4,122,925	664,495
Obligations under finance leases	–	26,003	20,826	3,357
Senior notes	–	–	746,051	120,242
	<u>11,483,757</u>	<u>12,050,610</u>	<u>18,233,648</u>	<u>2,938,731</u>
Net Current Assets	<u>5,746,293</u>	<u>9,625,015</u>	<u>10,016,263</u>	<u>1,614,329</u>
Total Assets less Current Liabilities	<u>13,042,840</u>	<u>18,512,856</u>	<u>23,020,432</u>	<u>3,710,220</u>
Non-Current Liabilities				
Amount due to a non-controlling shareholder	–	–	686,667	110,671
Deferred tax liabilities	692,558	719,916	1,096,155	176,668
Borrowings – due after one year	3,100,113	4,942,036	3,651,475	588,511
Obligations under finance leases	–	140,418	119,749	19,300
Senior notes	2,329,003	4,843,390	6,022,081	970,583
Provision	–	29,591	31,931	5,146
Redeemable shares	–	6,177	–	–
	<u>6,121,674</u>	<u>10,681,528</u>	<u>11,608,058</u>	<u>1,870,879</u>
	<u>6,921,166</u>	<u>7,831,328</u>	<u>11,412,374</u>	<u>1,839,341</u>
Capital and Reserves				
Share capital	457,093	429,575	497,485	80,180
Reserves	<u>6,144,037</u>	<u>6,890,876</u>	<u>8,955,574</u>	<u>1,443,377</u>
Equity attributable to owners of the Company	6,601,130	7,320,451	9,453,059	1,523,557
Perpetual capital instrument	–	–	710,500	114,512
Other non-controlling interests	320,036	510,877	1,248,815	201,272
Total non-controlling interests	–	510,877	1,959,315	315,784
	<u>6,921,166</u>	<u>7,831,328</u>	<u>11,412,374</u>	<u>1,839,341</u>

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

The following discussion should be read in conjunction with the section entitled "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 generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2012", "2013" and "2014" refer to our financial years ended December 31, 2012, 2013 and 2014, respectively.

Overview

We are a leading property developer and property related service provider in China. Our target customers are affluent middle- to upper-class individuals and families and small- to medium-sized enterprises. Our regions of focus are currently the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China and overseas (Singapore).

As of December 31, 2014, we had a total of 74 projects at various stages of development (including completed projects, projects under development and projects held for future development), including 15 projects located in the Chengdu-Chongqing Economic Zone, 31 projects located in the Pearl River Delta region, 13 projects located in the Yangtze River Delta region, ten projects located in the Beijing-Tianjin metropolitan region, four projects located in Central China and one project located overseas in Singapore.

As of December 31, 2014, we had a total land bank of approximately 14,553,798 square meters, which consists of:

- an aggregate planned GFA of approximately 8,024,423 square meters of properties for which we had fully paid the land premium and obtained land use rights (consisting of an aggregate planned GFA of approximately 4,562,092 square meters of properties under development and an aggregate planned GFA of approximately 4,362,331 square meters of properties held for future development for which we have obtained land use rights); and
- an aggregate planned GFA of approximately 5,629,375 square meters of properties for which we had entered into preliminary framework agreements but had not obtained the land use rights or property rights.

Of our total land bank as of December 31, 2014, approximately 5,905,462 square meters, or 40.6%, were located in the Chengdu-Chongqing Economic Zone; approximately 5,414,424 square meters, or 37.2%, were located in the Pearl River Delta region; approximately 1,670,745 square meters, or 11.5%, were located in the Yangtze River Delta region; approximately 933,327 square meters, or 6.4%, were located in the Beijing-Tianjin metropolitan region; approximately 606,936 square meters, or 4.2%, were located in Central China; and approximately 22,904 square meters, or 0.2% were located overseas in Singapore. We develop most of our properties, including properties that are currently under development, for sale but will hold certain of these developed properties for investment and hotel management purposes.

In addition to property development, we provide property operation services to properties that are developed by us as well as those developed by others.

For the years ended December 31, 2012, 2013 and 2014, our revenue was RMB6,230.1 million, RMB7,279.8 million and RMB7,306.0 million (US\$1,177.5 million), respectively. For the same periods, our profit for the year was RMB1,125.6 million, RMB1,230.2 million and RMB1,372.3 million (US\$221.2 million), respectively.

Key Factors Affecting Our Results of Operations

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

Economic Conditions and Regulatory Environment in the PRC

Our results of operations are subject to political, economic, fiscal, legal and social developments in the PRC in general and in cities and regions in which we operate, such as in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China, as well as economic, fiscal, legal and social developments specifically affecting the real estate sector in the PRC and in cities and regions in which we operate, including:

- continued growth in the economy, population and rate of urbanization in the PRC and in cities and regions in which we operate as such factors drive the demand for purchase or rental of real estate properties;
- the regulatory and fiscal environment of the PRC, specifically, the regulatory and fiscal environment affecting the property development industry, including tax policies, land grant and land use rights policies, pre-sale policies, policies on bank financing and interest rates and the availability of mortgage financing and other macro-economic policies; and
- the performance of the PRC’s property market, in particular, the supply and demand for real estate properties and pricing trends in the medium- to high-end property sector in the cities and regions in which we operate.

The slowdown of the worldwide economy from 2008 to early 2009, including that of China, resulted in the decline in real estate market sentiment, which have adversely affected property demand and average selling prices and rental prices in many areas of China. Since then 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, 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, may continue to adversely affect the global economy and financial markets. It is difficult to determine the impact of any global economic slowdown and financial crisis on the property industry in China. If the global economic slowdown and financial market crisis continue or become more severe than currently estimated, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected. See “Risk Factors—Risks Relating to Our Business—We may be adversely affected by fluctuations in the global economy and financial markets.”

Our business and results of operations have also been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC government on property development and related industries. In recent years, the PRC government has implemented a series of measures with a view to controlling the growth of the economy, including the property markets. While the property industry is regarded as a pillar industry by the PRC government, the PRC government has taken various restrictive measures to discourage speculation in the property market and to increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land grants, pre-sales of properties, bank financing and taxation. For example, the PRC government increased regulation over the property market since 2011. Policies restricting property purchases were adopted in nearly 50 cities, as compared to fewer than 20 cities in 2010. On January 26, 2011, the General Office of the State Council issued a circular which raised the proportion of minimum down payments for second house purchases from 50% to 60%. Regulations were promulgated at various levels to promote affordable housing. On February 26, 2013, the General Office of

the State Council announced a new circular to further increase down payment ratios and interest rates for loans to purchase second properties for those cities with excessive growth in housing prices. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See “Regulation.”

Changes in the economic conditions and the regulatory environment in the PRC in general or in cities and regions in which we operate may affect the selling price of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. For example, as a result of changes in the PRC’s economic environment, the growth of the PRC real estate market has slowed down recently with sales volumes or average selling prices decreasing in many major cities so far in 2015 as compared with the corresponding period in 2014. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flow generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the continuing growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flow generated from the sale of our properties for a particular period. On the other hand, higher selling price and a shorter selling period may increase our gross profit, reduce our selling and distribution costs and increase our cash flow for a particular period to enable us to fund the continuing growth of our business.

Costs of Labor, Construction Materials and Building Equipment

Our results of operations are affected by the costs of labor, construction materials such as steel and cement, and building equipment. As a result of the economic growth and the boom in the property development industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced substantial increase in recent years. Further, the PRC Labor Contract Law (中華人民共和國勞動合同法) that came into effect on January 1, 2008, and revised effective on July 1, 2013, enhanced the protection for employees and increased employers’ liability in many circumstances which may further increase our labor cost. To the extent that we are not able to pass such increased costs on to our customers, our gross margin and our results of operations would be adversely affected.

To reduce our exposure to price volatility of construction materials, we typically enter into contracts with third party construction contractors pursuant to which the construction contractors are responsible for procuring most of the construction materials for our property development projects. Such construction contracts are typically fixed or capped unit price contracts where the unit price of the construction materials is fixed or capped and the total price payable depends on our quantity requirement. Similarly, under the terms of most of our construction contracts, labor wages are paid by the construction contractors and increasing costs of labor are born by the contractors during the term of such contracts. However, we are exposed to price volatility of labor and construction materials to the extent that we periodically enter into new or renew our construction contracts at different terms during the life of a project, which may span over several years, or if we hire construction workers directly or procure the construction materials directly from suppliers, any of which may result in increased cost of sales and decreased profit margin. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the time of such pre-sale. In addition, as we typically procure building equipment, such as elevators, interior decoration materials and air conditioning systems, directly from suppliers, we are directly exposed to the price volatility of building equipment.

Availability and Cost of Land

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for the development of our projects at commercially acceptable prices. Land acquisition costs are one of the primary components of our cost of sales for property development, which is consisted of land premium and where necessary, the cost of demolition of existing buildings and relocation of residents. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition

for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is likely to increase competition for available land and to increase land acquisition costs. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and now requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development, the lowest land premium for the assignment of land use rights shall not be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. Such change of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

LAT

We are subject to LAT with respect to the appreciated value of land. LAT applies to both domestic and foreign developers and investors in real properties in China, irrespective of whether they are corporate entities or individuals. We incurred LAT expenses of RMB580.1 million, RMB576.9 million and RMB382.5 million (US\$61.6 million) in 2012, 2013 and 2014, respectively. We believe we have accrued all LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant PRC tax laws, less amounts previously paid under the levy method applied by relevant PRC local tax authorities. However, the provision for LAT requires our management to use a significant amount of judgment and estimates with respect to, among other things, the anticipated proceeds to be derived from the sale of the entire phase of the project or the entire project, the amount of land appreciation and the various deductible items. The relevant PRC local tax authorities may not agree with our estimates or the basis on which we calculate our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the relevant PRC local tax authorities in the future, our results of operations and cash flows will be materially and adversely affected. See “Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—J. Major Taxes Applicable to Property Development Enterprises—(iii) Land Appreciation Tax.”

Access to and Cost of Financing

Borrowing is an important source of funding for our property developments. As of December 31, 2012, 2013 and 2014, our outstanding borrowings (excluding the 2010 Notes, the 2012 Notes, the January 2013 Notes, the May 2013 Notes, the 2014 Notes and amounts due to related parties) amounted to RMB5,552.4 million, RMB6,995.4 million and RMB7,774.4 million (US\$1,253.0 million), respectively. As commercial banks in China link the interest rates on their borrowings to the benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for financing our developments. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A significant portion of our finance costs are capitalized rather than being expensed at the time they are incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. The following table sets forth the capitalized finance costs under each eligible assets for capitalization for the periods indicated:

	For the year ended December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)			
	(in thousands)			
Properties under development				
for sale	(381,978)	(658,372)	(953,941)	(153,747)
Land development expenditure	(120,570)	—	—	—
Investment properties under development	(4,951)	(7,122)	(4,123)	(665)
Construction in progress	(7,835)	—	(39,526)	(6,370)

An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited 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 gauge the expected demand in the market at the expected launch time for completion of a particular project. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Changes in Product Mix

The prices and gross profit margins of our products vary by the type of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our high gross margin products compared to sales revenue attributable to lower gross margin products. Commercial properties and office spaces in general command higher selling prices than residential properties, and the proportion of commercial/office and residential properties sold may affect our revenue and profitability during the relevant period. In 2012, 2013 and 2014, the gross margin for our commercial/office properties was 54.3%, 51.3% and 67.9%, respectively, and the gross margin for our residential properties was 33.1%, 19.2% and 26.7%, respectively. In addition, properties in larger scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our gross margin during the relevant period. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time, and time our project launches according to our development plans.

Change in Fair Value of our Investment Properties

Under HKFRS, we are required to reassess the fair value of our completed investment properties as of the date of the consolidated statement of financial position, and gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statement of comprehensive income in the period in which they arise. As of December 31, 2012, 2013 and 2014, the fair value of our investment properties, which include investment properties that are under development, were RMB3,422.2 million, RMB4,012.8 million and RMB6,642.1 million (US\$1,070.5 million), respectively. In 2012, 2013 and 2014, we experienced a gain on fair value changes of investment properties of RMB167.9 million, RMB167.3 million and RMB575.8 million (US\$92.8 million), respectively. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other independent professional valuers. The fair value of each of our investment properties is likely to continue to fluctuate from time to time in the future, and volatility of our results of operations may increase as a result of fair value gains or losses. Any decrease in the fair value of our investment properties would adversely affect our profitability. We cannot assure you that we will record fair value gains, or that we will not record fair value losses, in the future. In addition, fair value gains or losses do not give rise to any change to our cash position unless the relevant investment property is sold. Therefore, we may experience constraints on our liquidity even though our profitability increases.

Pre-sales

Proceeds from pre-sales of properties under development constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the pre-sale proceeds to develop the projects that are pre-sold. The amount and timing of cash received from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the relevant PRC laws and regulations, market demand and the number for our properties that are available for pre-sale. A restriction on our ability to engage in the pre-sales of our properties could result in a reduced cash inflow, which would increase our reliance on external financing and increase our finance costs, which could have an adverse effect on our ability to finance our continuing property developments and our results of operations.

Certain Income Statement Items

Revenue

Our revenue comprises revenue derived from (i) sales of our developed properties, (ii) lease of investment properties, (iii) provision of property agency and related services, (iv) provision of property operation and related services, and (v) provision of hotel management and related services. The following table sets forth the revenue attributable to each of the components above:

	For the year ended December 31,						
	2012		2013		2014		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US\$)	(%)
						(unaudited)	
			(in thousands, except percentages)				
Property development	5,885,314	94.5	6,733,340	92.5	6,535,319	1,053,302	89.5
Property investment	90,266	1.4	128,673	1.8	136,462	21,994	1.9
Property agency services	14,470	0.2	12,683	0.2	18,653	3,006	0.3
Property operation services	184,683	3.0	314,764	4.3	504,243	81,269	6.9
Hotel services	55,317	0.9	90,368	1.2	111,273	17,934	1.5
Total	<u>6,230,050</u>	<u>100.0</u>	<u>7,279,828</u>	<u>100.0</u>	<u>7,305,950</u>	<u>1,177,505</u>	<u>100.0</u>

Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, which is when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. As we derive a majority of our revenue from property development, our results of operations for a given period depend upon the GFA of our properties available for sale during that period, the market demand for those properties and the selling prices of such properties. Conditions of the property markets in which we operate change from period to period and are affected by the economic, political and regulatory developments in the PRC in general as well as in the cities and regions in which we operate. See “—Key Factors Affecting Our Results of Operations.” The table below sets forth, for the periods so indicated, total revenue derived from

each of our projects, the aggregate GFA of properties sold, the average selling prices per square meter for these properties, as measured by dividing total revenue by aggregate GFA sold:

	For the year ended December 31,								
	2012			2013			2014		
	Total Revenue	GFA Sold	Avg. Selling Price/Square Meter	Total Revenue	GFA sold	Avg. Selling Price/Square Meter	Total Revenue	GFA sold	Avg. Selling Price/Square Meter
	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)
Shenzhen Love Forever (深圳花郡)	2,852	99	28,808	-	-	-	-	-	-
Shenzhen Meinian International Complex (深圳美年國際廣場)	131,039	4,378	29,931	-	-	-	-	-	-
Chengdu MIC Plaza (formerly known as Chengdu Meinian International Plaza, 成都美年國際廣場)	147,861	19,964	7,406	15,568	2,121	7,339	4,058	494	8,215
Chengdu Grande Valley (成都大溪谷)	101,440	12,211	8,307	41,794	4,232	9,875	367,915	35,654	10,319
Chengdu Belle Epoque (成都君山)	32,181	5,210	6,177	19,843	2,829	7,013	18,801	3,930	4,784
Dongguan Mont Conquerant (東莞君山)	242,746	27,887	8,705	30,947	2,842	10,888	1,760	147	11,972
Tianjin Hailrun Plaza (天津喜年廣場)	20,729	1,768	11,725	-	-	-	-	-	-
Huizhou Fantasia Special Town (惠州別樣城)	691,572	137,054	5,046	81,633	13,645	5,983	1,152,616	221,984	5,192
Shenzhen Funian Plaza (深圳福年廣場)	779,537	22,592	34,505	16,856	745	22,631	-	-	-
Suzhou Lago Paradise (蘇州太湖天城)	247,283	22,819	10,837	217,491	17,066	12,744	709,124	126,493	5,606
Chengdu Fantasia Town (成都花樣城)	584,605	138,738	4,214	217,009	50,783	4,273	328,760	80,248	4,097
Chengdu Future Plaza (成都香年廣場)	1,311,210	125,194	10,473	574,983	54,211	10,606	69,402	6,350	10,929
Tianjin Future Plaza (天津香年廣場)	594,511	50,702	11,725	-	-	-	-	-	-
Dongguan Wonderland (東莞江山)	511,323	62,483	8,183	691,878	108,043	6,404	553,081	85,053	6,502
Wuxi Love Forever (無錫花都)	438,723	62,496	7,020	83,363	8,461	9,852	335,956	50,357	6,671
Nanjing Yuhuatai Project (南京花生唐)	-	-	-	932,745	44,597	20,915	1,143	53	21,566
Guilin Fantasia Town (桂林花樣城)	-	-	-	942,078	158,491	5,944	1,168,126	237,520	4,918
Dali Human Art Wisdom (大理藝墅花鄉)	-	-	-	327,571	52,545	6,234	24,069	1,276	18,863
Chengdu Funian Plaza (成都福年廣場)	-	-	-	1,617,941	132,212	12,237	43,035	3,563	12,078
Chengdu Longnian Plaza (成都龍年廣場)	-	-	-	-	-	-	453,316	31,973	14,178
Guilin Lakeside Eden Community (桂林麓湖國際社區)	-	-	-	-	-	-	522,671	56,012	9,331
Huizhou Love Forever (惠州花郡)	-	-	-	220,919	49,784	4,438	194,039	44,473	4,363
Huizhou TCL Project (惠州TCL項目)	-	-	-	-	-	-	55,643	8,934	6,228
Tianjin Love Forever (天津花郡)	-	-	-	431,890	50,593	8,537	432,806	69,684	6,211
Wuxi Hailrun Plaza (無錫喜年廣場)	-	-	-	196,114	25,268	7,761	46,503	8,643	5,380
	<u>5,837,612</u>	<u>693,595</u>	<u>8,416</u>	<u>6,660,623</u>	<u>778,468</u>	<u>8,556</u>	<u>6,482,824</u>	<u>1,072,841</u>	<u>6,043</u>
Others (including sales of carparks and construction of relocation housing)	47,702	-	-	72,717	-	-	52,495	-	-
	<u>5,885,314</u>	<u>-</u>	<u>-</u>	<u>6,733,340</u>	<u>-</u>	<u>-</u>	<u>6,535,319</u>	<u>-</u>	<u>-</u>

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See “Business—Property Development—Pre-sale, Sales and Marketing.” In general, there is a time difference, typically ranging from several months to one year, between the time we commence pre-selling properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of our properties until such properties are completed and the properties have been delivered to the purchasers, even though we receive payments at various stages prior to delivery. Before the delivery of a pre-sold property, payments received from purchasers are recorded as “Deposits received on sale of properties” under “Current Liabilities” on our consolidated statements of financial position.

Property Investment

Revenue derived from our properties held for investment represents revenue received and receivable from our investment properties, which has historically been generated from the rental of offices, retail shops and car parking spaces, and recognized on a straight-line basis over the relevant lease period. Going forward, we expect that our revenue from investment properties will increase as we develop additional properties and as we expand the properties that are held for investment. We believe the increase of such revenue will help us reduce over-reliance on a particular sector of the property market, diversify our risk exposure and provide us with a stable recurring revenue.

Property Agency Services

Revenue derived from property agency services is recognized when services are provided. This means that for primary property agency services, revenue is recognized when a successful sale of a property has occurred, which is defined in each contract and is usually achieved after the purchaser has executed the purchase contract, made the required down payment, and the purchase contract has been registered with the relevant government authorities. Each agency contract specifies commission rates expressed as a percentage of the project transaction value, defined as the aggregate sales proceeds of all property units we have sold for the project. Typically, agency contracts stipulate that the developer clients are responsible for the cost of promotion and advertising, either by paying the costs directly or reimbursing us for the promotion and advertising costs we have incurred. Commissions are typically settled at the end of a sales period typically lasting several months. During the time between when sales are actually made and the time of collection, commissions are recorded as “trade and other receivables” on our consolidated statement of financial position. Additional revenue may also be earned if certain sales and other performance targets are achieved, and is recognized when the relevant required targets are accomplished. Services are considered provided and revenue is recognized for secondary property brokerage services upon execution of a transaction agreement between the buyer/lessee and the seller/lessor and for property consulting and advisory services when performance obligations under the relevant service contract are completed and the customer accepts the contracted deliverable.

Property Operation Services

Revenue derived from property operation services is recognized when the related services are provided. In early 2011, we commenced to reorganize our property operation services business and since then, have been providing property operation services through our subsidiary Colour Life and its subsidiaries. We have designated “Colour Life” as our brand for middle-to-high end property management and property community services. Property operation services include property management, building equipment for installations, maintenance, repair and other value-added services, such as secondary property brokerage services after our disposal of Xingyan Property Consultancy, for our properties as well as properties developed by other developers. The time lag between when the invoices are sent to clients and the time of collection is reflected in “trade and other receivables” on our consolidated statement of financial position.

Hotel Services

Revenue derived from hotel management and related services is recognized when such services are provided. We started providing hotel services in December 2008 through our subsidiaries, Shenzhen Caiyue Hotel Management Co., Ltd. and Shenzhen Caiyue Hotel Co., Ltd. Since then, we have expanded this business segment through cooperation with well-known hotel management groups and have also established our private brand of boutique hotels. We expect our revenue from hotel services will continue to increase in the future as we complete our hotel projects and commence operation of additional hotels, including our own boutique hotels that are currently under development.

Cost of Sales

Cost of sales for our property development business primarily represents the costs we incur directly for our property development activities. The principal component of cost of sales for our property development business is the cost of properties sold, which includes the direct cost of construction, costs of land and capitalized finance costs on related borrowings during the period of construction.

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Historically, construction material costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, have been a major cause of fluctuations in our construction costs. Price movements of other supplies in relation to property developments, including elevators, interior decoration materials and air conditioning systems, may also increase our construction costs. Costs associated with design and construction of the foundation are another major component of our construction costs and will vary according to the area and height of the buildings as well as the geological conditions of the site. Therefore, construction costs of a property development may be higher if the conditions of a site require more complex designs and processes or more expensive materials in order to provide the necessary foundation support. In addition, with the PRC government's recent policies aiming to enhance the protection for employees and increased employers' liability in many circumstances, our labor costs may increase in the future which in turn will increase our construction costs.

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

We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the acquisition and construction of a project. In general, we capitalize finance costs incurred from the commencement of the planning and design of a project, which typically precedes the receipt of a construction works commencement permit, until the completion of construction. For any given project, the finance costs incurred after the end of the month in which construction on the project is completed are not capitalized, but are instead accounted for as finance costs in the period in which they are incurred.

Our cost of sales for our property investment, property agency services, property operation services and hotel services primarily consists of direct costs related to such business activities, which primarily include, depending on the type of businesses, salaries and commissions, costs of rental, utility and consumable products for our on-site sales offices for our primary property agency services, certain office expenses and advertising and marketing expenses.

The table below sets forth information relating to our cost of sales for each of our business segments and as a percentage of total cost of sales for the periods indicated:

	For the year ended December 31, 2014						
	2012		2013		2014		
	(RMB)	(%)	(RMB)	%	(RMB)	(US\$)	%
	(unaudited)						
	(in thousands, except percentages)						
Property development							
<i>Construction costs</i>	2,706,019	72.9	3,003,254	66.9	2,578,029	415,503	57.3
<i>Land use rights</i>	682,982	18.4	701,912	15.6	673,472	108,544	15.0
<i>Capitalized finance costs</i>	87,273	2.4	528,516	11.8	1,057,282	170,403	23.5
Total property development	3,476,274	93.7	4,233,681	94.4	4,308,783	694,450	95.8
Property investment	7,139	0.2	6,664	0.1	10,441	1,684	0.2
Property agency services	6,953	0.2	156,237	3.5	933	150	0.0
Property operation services	125,694	3.4	109	0.0	101,767	16,402	2.3
Hotel services	93,718	2.5	89,579	2.0	77,209	12,444	1.7
Total	<u>3,709,778</u>	<u>100.0</u>	<u>4,486,269</u>	<u>100.0</u>	<u>4,499,138</u>	<u>725,129</u>	<u>100.0</u>

Changes in Fair Value of Investment Properties

Investment properties are properties held to earn rental income and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Property that is being constructed or developed for future use as an investment property is classified as an investment property. We have concluded the fair value of the investment properties under development cannot be measured reasonably, therefore, our investment properties under development continue to be measured at cost until such time as fair value can be determined or construction is completed. Our investment properties are currently comprised primarily of office units, retail spaces and car parking spaces. Once an investment property is sold or if the investment property is permanently withdrawn from use and no future economic benefits are expected, gains or losses on disposals of such investment property are recognized as “Gain/loss on disposal of investment properties.”

Gains or losses arising from changes in the fair values of investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. Investment properties are initially recognized at cost, subsequent to initial recognition, investment properties are stated on our consolidated statement of comprehensive income as non-current asset at fair value, which reflects market conditions as of the date of our consolidated statement of comprehensive income. The valuation is determined by independent and qualified professionals and involves the exercise of professional judgment on the part of the valuation professionals and the use of certain assumptions, such as making reference to comparable sales evidence available in the market.

Selling and Distribution Expenses

Selling and distribution expenses include sales commissions, advertising and promotion expenses related to the sale of our properties and the promotion of our brand and services, which include advertisements on television and in newspapers, magazines, on billboards, promotional offers made directly to our customers and certain other promotional events.

Administrative Expenses

Administrative expenses include staff costs, office rental payments, depreciation and amortization, traveling and entertainment expenses, professional fees and general office expenses.

Finance Costs

Finance costs consist primarily of interest costs on borrowings net of capitalized finance costs. We capitalize a portion of our finance costs to “properties under development for sale,” “investment properties under development,” “construction in progress” and “land development expenditure” on our consolidated statements of financial position to the extent that such costs are directly attributable to the development of a project. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on such indebtedness. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the finance costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization. See “—Critical Accounting Policies—Capitalized Finance Costs.”

Income Tax Expenses

Income tax expenses represent PRC enterprise income tax and LAT payable by our subsidiaries in China. For 2012, 2013 and 2014, our effective tax rate (income tax expenses divided by profit before tax) was 52.8%, 48.8% and 45.8%, respectively.

The PRC enterprise income tax has been calculated at the applicable tax rate on the assessable profits for each of 2012, 2013 and 2014. Under the EIT Law that became effective on January 1, 2008, a uniform income tax rate of 25% was imposed on the taxable income of both domestic enterprises and foreign-invested enterprises, enterprises that were subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after implementation of the EIT Law. As a result of the EIT Law, the applicable enterprise income tax rate for our subsidiaries in Shenzhen and in other areas in China was 25% from 2012 onwards.

LAT expenses represent provisions for the estimated LAT payable in relation to our properties delivered during a period. Property developers in China that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the “appreciated value of the property.” However, no LAT is payable for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the “total deductible items,” as such term is defined in the relevant tax laws. Whether a property qualifies for the ordinary standard residential property exemption is determined by the local government taking into consideration the property’s plot ratio, aggregate GFA and sale price.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Critical Accounting Policies

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to our consolidated financial statements included in this offering memorandum. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is net of estimated customer returns, rebates and other similar allowance.

Sales of properties

Revenue from sales of properties in the ordinary course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

When the completed properties are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Agency fee, service income, management fee, parking fee and consultation fee

Agency fee, service income, management fee, parking fee and consultation fee are recognized when services are provided.

Contract revenue

Contract revenue from installation contract is recognized when the outcome of the contract can be estimated reliably and the stage of completion at the end of reporting period can be measured reliably. Revenue from construction contracts is recognized on the percentage of completion method, measured by reference to the proportion that billings agreed with the customer to date relative to the estimated total revenue for each contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract cost incurred that it is probable to be recoverable.

Hotel operation

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognized when the services are rendered.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the periods in which they become receivable.

Properties for Sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalized in accordance with the Group's accounting policy, and other attributable expenses. Cost of each unit in each phase of development is determined using the weighted average method.

Net realizable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including properties under construction for such purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the periods in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or construction is completed.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

Borrowing Costs

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.

All other borrowing costs are recognized in profit or loss in the periods in which they are incurred.

Results of Operations

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

	For the year ended December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in thousands)			
Revenue	6,230,050	7,279,828	7,305,950	1,177,505
Cost of sales	(3,709,778)	(4,486,269)	(4,499,138)	(725,129)
Gross profit	2,520,272	2,793,559	2,806,812	452,376
Other income, gains and losses	31,800	385,511	(13,301)	(2,144)
Change in fair value of investment properties	167,876	167,319	575,840	92,809
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	330,257	10,177	95,665	15,418
Selling and distribution expenses	(314,100)	(315,184)	(269,719)	(43,471)
Administrative expenses	(291,966)	(487,390)	(585,730)	(94,403)
Finance costs	(57,698)	(260,294)	(290,948)	(46,892)
Share of results of associates	417	675	56	9
Share of results of joint ventures	–	(6,714)	(12,663)	(2,041)
Gain on disposal of subsidiaries	–	116,644	223,707	36,055
Profit before taxation	2,386,858	2,404,303	2,529,719	407,717
Income tax expense	(1,261,209)	(1,174,112)	(1,157,408)	(186,540)
Profit for the year	<u>1,125,649</u>	<u>1,230,191</u>	<u>1,372,311</u>	<u>221,176</u>
Profit for the year attributable to:				
Owners of the Company	1,139,241	1,215,038	1,255,341	202,324
An owner of perpetual capital instrument	–	–	42,525	6,854
Other non-controlling interests	(13,592)	15,153	74,445	11,998
	<u>1,125,649</u>	<u>1,230,191</u>	<u>1,372,311</u>	<u>221,176</u>

Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013

Revenue. Our revenue increased by 0.4% to RMB7,306.0 million (US\$1,177.5 million) in 2014 from RMB7,279.8 million in 2013. This was primarily due to our diversified business portfolio which remained stable in 2014.

The below table and discussion set forth the revenue attributable to each of our business segments for the periods indicated:

	For the year ended December 31,				
	2013		2014		
	RMB	%	RMB	US\$	%
	(unaudited)				
	(in thousands, except percentages)				
Property development	6,733,340	92.5	6,535,319	1,053,302	89.5
Property investment	128,673	1.8	136,462	21,994	1.9
Property agency services	12,683	0.2	18,653	3,006	0.3
Property operation services	314,764	4.3	504,243	81,269	6.9
Hotel services	90,368	1.2	111,273	17,934	1.5
Total.	<u>7,279,828</u>	<u>100.0</u>	<u>7,305,950</u>	<u>1,177,505</u>	<u>100.0</u>

Property development. Revenue derived from property development decreased by 2.9% to RMB6,535.3 million (US\$1,053.3 million) in 2014 from RMB6,733.3 million in 2013. This decrease was primarily due to a decrease in average selling price of our properties sold in 2014 which was partially offset by an increase in total GFA delivered in 2014. For information on changes in selling prices of our properties sold in the respective periods, see “—Certain Income Statement Items—Revenue— Property Development.”

Property investment. Revenue derived from property investment increased by 6.1% to RMB136.5 million (US\$22.0 million) in 2014 from RMB128.7 million in 2013. This increase was primarily due to an increase in investment properties leased externally.

Property agency services. Revenue derived from property agency services increased by 47.1% to RMB18.7 million (US\$3.0 million) in 2014 from RMB12.7 million in 2013. This increase was primarily due to an increase in the number of communities we managed for which we provided agency services.

Property operation services. Revenue derived from property operation services increased by 60.2% to RMB504.2 million (US\$81.3 million) in 2014 from RMB314.8 million in 2013. This increase was primarily due to an increase in the GFA of properties that we managed and an increase in the communities that we provided with value-added services in 2014.

Hotel services. Revenue derived from hotel services increased by 23.1% to RMB111.3 million (US\$17.9 million) in 2014 from RMB90.4 million in 2013. This increase was primarily due to an increase in the revenue arising from the Hotel 373 operation in the United States in 2014.

Cost of Sales. Our cost of sales was RMB4,499.1 million (US\$725.1 million) in 2014 as compared to RMB4,486.3 million in 2013. This was in line with our stable revenues in 2014 and 2013.

Gross Profit. As a result of the foregoing, our gross profit remained stable with a slight increase of 0.5% to RMB2,806.8 million (US\$452.4 million) in 2014 from RMB2,793.6 million in 2013. Our gross profit margin remained the same at 38.4% in 2014 as compared to that in 2013.

Other income, gains and losses. We had net other losses of RMB13.3 million (US\$2.1 million) in 2014, as compared to net other gains of RMB386 million in 2013. Our net other losses in 2014 mainly comprised the exchange loss of RMB50.5 million (US\$8.1 million), partially offset by the interest

income of RMB23.4 million (US\$3.8 million). Our net other gains in 2013 mainly comprised the investment income of RMB246 million derived from the land rehabilitation services we provided to the Pi County in Chengdu, Sichuan Province in 2013 and the net exchange gain of RMB91.8 million.

Change in fair value of investment properties. Our gain on fair value changes of investment properties increased by 244.2% to RMB575.8 million (US\$92.8 million) in 2014 from RMB167.3 million in 2013. This significant increase was primarily due to an increase in fair value of our properties transferred to investment properties using the fair value model.

Recognition of change in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties increased by 840.0% to RMB95.7 million (US\$15.4 million) in 2014 from RMB10.2 million in 2013. This significant increase was primarily due to an increase in fair value of our properties transferred to investment properties using the fair value model.

Selling and distribution expenses. Our selling and distribution expenses decreased by 14.4% to RMB269.7 million (US\$43.5 million) in 2014 from RMB315.2 million in 2013. This decrease was primarily due to our tightened control on costs in 2014.

Administrative expenses. Our administrative expenses increased by 20.2% to RMB585.7 million (US\$94.4 million) in 2014 from RMB487.4 million in 2013. This increase was primarily due to an increase in the staff cost in new locations as a result of our expansion.

Finance costs. Our finance costs increased by 11.8% to RMB290.9 million (US\$46.9 million) in 2014 from RMB260.3 million in 2013, primarily due to the issuance of the 2014 Notes to finance our projects.

Share of results of associates. We recorded share of profits of associates of RMB0.7 million and RMB0.1 million (US\$0.01 million) in 2013 and 2014, respectively.

Share of results of joint ventures. We recorded share of losses of joint ventures of RMB6.7 million and RMB12.7 million (US\$2.0 million) in 2013 and 2014, respectively.

Gain on disposal of subsidiaries. Our gain on disposal of subsidiaries increased by 91.8% to RMB223.7 million in 2014 from RMB116.6 million in 2013. The increase was primarily due to disposal of our 61% equity interest in Topsearch Printed Circuits (Shenzhen) Ltd. and 54% equity interest in Shenzhen Tongzhanian Equity Investment Fund Company Limited in 2014.

Income tax expense. Our income tax expenses decreased by 1.4% to RMB1,157.4 million (US\$186.5 million) in 2014 from RMB1,174.1 million in 2013. This decrease was primarily due to the settlement of the LAT in relation to our six projects in 2014, partially offset by an over-provision of the LAT of RMB194 million in 2013.

Profit for the year. As a result of the foregoing, our profit for the year increased by 11.6% to RMB1,372.3 million (US\$221.2 million) in 2014 from RMB1,230.2 million in 2013.

Profit attributable to owners of the Company. Profit attributable to owners of the Company increased by 3.3% to RMB1,255.3 million (US\$202.3 million) in 2014 from RMB1,215.0 million in 2013.

Profit attributable to an owner of perpetual capital instrument. In April 2014, our wholly owned subsidiary entered into a perpetual capital instrument agreement with an independent third party to issue an perpetual capital instrument of RMB700.0 million (US\$112.8 million) for the purpose of the development of our existing property development project in the PRC.

Profit attributable to other non-controlling interests. Our profit attributable to other non-controlling interests increased was RMB0.08 million (US\$0.01 million) in 2014 as compared to RMB0.02 million in 2013.

Comparison of the Year Ended December 31, 2013 to the Year Ended December 31, 2012

Revenue. Our revenue increased by 16.9% to RMB7,279.8 million in 2013 from RMB6,230.1 million in 2012. This was primarily due to an increase in revenue from our property development business as a result of the increase in total GFA delivered.

The below table and discussion set forth the revenue attributable to each of our business segments for the years indicated:

	For the year ended December 31,			
	2012		2013	
	(RMB)	(%)	(RMB)	(%)
	(in thousands, except percentages)			
Property development	5,885,314	94.5	6,733,340	92.5
Property investment	90,266	1.4	128,673	1.8
Property agency services	14,470	0.2	12,683	0.2
Property operation services	184,683	3.0	314,764	4.3
Hotel services	55,317	0.9	90,368	1.2
Total.	<u>6,230,050</u>	<u>100.0</u>	<u>7,279,828</u>	<u>100.0</u>

Property development. Revenue derived from property development increased by 14.4% to RMB6,733.3 million in 2013 from RMB5,885.3 million in 2012. This increase was primarily due an increase in GFA delivered, see “—Certain Income Statement Items—Revenue—Property Development.”

Property investment. Revenue derived from property investment increased by 42.5% to RMB128.7 million in 2013 from RMB90.3 million in 2012. This increase was primarily due to an increase in the number of investment properties and an increase in the occupancy rate.

Property agency services. Revenue derived from property agency services decreased by 12.4% to RMB12.7 million in 2013 from RMB14.5 million in 2012. The decrease was primarily due to a decrease in the number of communities we managed for which we provided agency services.

Property operation services. Revenue derived from property operation services increased by 70.4% to RMB314.8 million in 2013 from RMB184.7 million in 2012. This increase was primarily due to an increase in the GFA of properties that we managed and coverage of value-added service that we provided to customers during 2013.

Hotel services. Revenue derived from hotel services increased by 63.4% to RMB90.4 million in 2013 from RMB55.3 million in 2012. This increase was primarily due to an increase in the occupancy rate of our hotels during 2013.

Cost of sales and services. Our cost of sales increased by 20.9% to RMB4,486.3 million in 2013 from RMB3,709.8 million in 2012. This increase was primarily due to an increase in total GFA delivered in 2013.

Gross profit. As a result of the foregoing, our gross profit increased by 10.8% to RMB2,793.6 million in 2013 from RMB2,520.3 million in 2012. Our gross profit margin in 2013 was 38.4% compared to 40.5% in 2012. The lower gross margin in 2013 was primarily due to the change in composition of our completed properties delivered in 2013.

Other income, gains and losses. Our other income, gains and losses increased by 1,112.3% to RMB385.5 million in 2013 from RMB31.8 million in 2012. The significant increase was primarily due to the investment income of RMB246.0 million derived from the land rehabilitation services we provided to the Pi County in Chengdu, Sichuan Province in 2013.

Change in fair value of investment properties. Our gain on fair value changes of investment properties decreased by 0.3% to RMB167.3 million in 2013 from RMB167.9 million in 2012.

Recognition of change in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties decreased by 96.9% to RMB10.2 million in 2013 from RMB330.3 million in 2012. This decrease was primarily due to a decrease in fair value of our properties transferred to investment properties using the fair value model.

Selling and distribution expenses. Our selling and distribution expenses increased by 0.3% to RMB315.2 million in 2013 from RMB314.1 million in 2012. The increase was primarily due to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in 2013 as compared to that in 2012.

Administrative expenses. Our administrative expenses increased by 66.9% to RMB487.4 million in 2013 from RMB292.0 million in 2012. This increase was primarily due to an increase in labor costs and other management expenses as a result of our expansion.

Finance costs. Our finance costs increased by 351.1% to RMB260.3 million in 2013 from RMB57.7 million in 2012, primarily due to most of our bank loans and the issuance of the 2012 Notes, the January 2013 Notes and the May 2013 Notes to finance our project construction.

Share of results of associates. Our share of profit of associates was RMB0.4 million and RMB0.7 million in 2012 and 2013, respectively.

Income tax expense. Our income tax expense decreased by 6.9% to RMB1,174.1 million in 2013, from RMB1,261.2 million in 2012. The decrease was primarily due to an increase in LAT associated with the increase in projects under construction, resulting in more deferred income tax assets.

Profit for the year. As a result of the foregoing, our profit for the year increased by 9.3% to RMB1,230.2 million in 2013 from RMB1,125.6 million in 2012.

Profit attributable to owners of the Company. Profit attributable to owners of the Company increased by 6.7% to RMB1,215.0 million in 2013 from RMB1,139.2 million in 2012.

Profit attributable to non-controlling interests. We recorded profit attributable to non-controlling interests of RMB15.2 million in 2013. We recorded loss attributable to non-controlling interests of RMB13.6 million in 2012.

Liquidity and Capital Resources

Cash Flows

The following table sets forth our net cash flow for the periods indicated:

	For the year ended December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)			
	(in thousands)			
Net cash from (used in) operating activities	846,004	(936,349)	(1,743,142)	(280,943)
Net cash (used in) investing activities	(1,262,475)	(2,599,275)	(1,830,746)	(295,063)
Net cash from financing activities	2,183,377	3,548,986	4,536,799	731,199
Net increase in cash and cash equivalents	1,767,906	13,362	962,911	155,193
Cash and cash equivalents at end of year	2,788,106	2,776,879	3,738,040	602,463

Cash Flows from/used in Operating Activities

Our cash used in operating activities principally comprises amounts we pay for our property development activities, which are reflected on our consolidated statements of financial position as an increase in our properties for sales. Our cash provided by operating activities is generated principally from the proceeds from the sales of our properties, including pre-sales of properties under development, as well as commissions and fees received from our property agency services, property operation services and hotel services businesses.

In 2014, our net cash used in operating activities was RMB1,743.1 million (US\$280.9 million). Cash used in operating activities in 2014 primarily was the result of profit before taxation of RMB2,529.7 million (US\$407.7 million) and a decrease in trade and other payables of RMB2,237.8 million (US\$360.7 million), partially offset by an increase in properties for sale of RMB2,422.0 million (US\$390.4 million), a decrease in deposits received for sale of properties of RMB1,198.3 million (US\$193.1 million), an increase in deposits paid for acquisition of land use rights of RMB260.5 million (US\$42.0 million), interest paid of RMB1,025.5 million (US\$165.3 million), LAT paid of RMB415.8 million (US\$67.0 million) and enterprise income tax paid of RMB350.6 million (US\$56.5 million).

In 2013 our net cash used in operating activities was RMB936.3 million. Cash used in operating activities in 2013 primarily was the result of profit before taxation of RMB2,404.3 million, an increase in deposits received for sale of properties of RMB492.1 million, a decrease in land development expenditure of RMB156.2 million, a decrease in trade and other payables of RMB149.4 million, partially offset by an increase in trade and other receivables of RMB874.7 million, an addition to prepaid lease payables of RMB763.0 million, an increase in properties for sale of RMB567.6 million, interest paid of RMB816.2 million, LAT paid of RMB262.7 million and enterprise income tax paid of RMB371.5 million.

In 2012, our net cash from operating activities was RMB846.0 million. Cash from operating activities in 2012 primarily consisted of profit before taxation of RMB2,386.9 million and an increase in deposits received for sale of properties of RMB1,567.1 million, partially offset by an increase in trade and other receivables of RMB963.0 million, an increase in properties for sale of RMB576.6 million, an addition to prepared lease payments of RMB506.9 million, interest paid of RMB510.3 million, LAT paid of RMB244.6 million and enterprise income tax paid of RMB191.8 million.

Cash Flows Used in Investing Activities

In 2014, our net cash used in investing activities was RMB1,830.7 million (US\$295.1 million). Cash used in investing activities in 2014 included: additions to investment properties of RMB652.7 million (US\$105.2 million), purchases of property, plant and equipment of RMB569.5 million (US\$91.8 million), acquisition of investments in joint ventures of RMB361.7 million (US\$58.3 million), deposits

paid for acquisition of subsidiaries of RMB212.6 million (US\$34.3 million) and acquisition of assets and liabilities through acquisitions of subsidiaries of RMB189.8 million (US\$30.6 million).

In 2013, our net cash used in investing activities was RMB2,599.3 million. Cash used in investing activities in 2013 included: acquisitions of asset and liabilities through acquisitions of subsidiaries of RMB1,778.4 million, settlement of consideration payables of acquisition of assets and liabilities through acquisitions of subsidiaries and acquisition of businesses of RMB257.0 million, acquisition of businesses of RMB183.2 million, deposits paid for acquisition of subsidiaries of RMB148.8 million and an increase in restricted bank deposits of RMB148.0 million.

In 2012, our net cash used in investing activities was RMB1,262.5 million. Cash used in investing activities in 2012 included: acquisition of assets and liabilities through acquisition of subsidiaries of RMB458.1 million, an increase in restricted bank deposits of RMB392.5 million, additions to investment properties of RMB149.6 million and purchase of property, plant and equipment of RMB134.8 million.

Cash Flows from Financing Activities

In 2014, our net cash from financing activities was RMB4,536.8 million (US\$731.2 million). The primary factors affecting net cash from financing activities in 2014 included: new borrowings raised of RMB7,856.2 million (US\$1,266.2 million), net proceeds from the issuance of senior notes of RMB1,801.3 million (US\$290.3 million), advance from joint ventures of RMB897.2 million (US\$144.6 million), net proceeds from share offer of Colour Life of RMB710.2 million (US\$114.5 million) and net proceeds from issuance of perpetual capital instrument of RMB700.0 million (US\$112.8 million), partially offset by repayment of borrowings of RMB6,856.7 million (US\$1,105.1 million) and dividend paid to shareholders of the Company of RMB306.1 million (US\$49.3 million).

In 2013, our net cash from financing activities was RMB3,549.0 million. The primary factors affecting net cash from financing activities in 2013 included: new borrowings raised of RMB5,345.4 million and net proceeds from the issuance of senior notes of RMB2,508.5 million, partially offset by repayment of borrowings of RMB3,867.2 million, shares repurchased of RMB373.9 million and dividend paid to shareholders of the Company of RMB228.6 million.

In 2012, our net cash from financing activities was RMB2,183.4 million. The primary factors affecting net cash from financing activities in 2012 included: net borrowings raised of RMB3,356.8 million and net proceeds from the issuance of the 2012 Notes of RMB1,530.3 million, partially offset by repayment of borrowings of RMB2,540.0 million and dividend paid of RMB168.9 million.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments from internal funds, borrowings from banks, proceeds from sales and pre-sales of our properties, capital contributions from shareholders and proceeds from issuance of equity and debt securities, such as our IPO in November 2009, issuance of the 2010 Notes in May 2010, issuance of the 2012 Notes in September 2012, issuance of the January 2013 Notes in January 2013, issuance of the May 2013 Notes in May 2013 and issuance of the 2014 Notes in January 2014. Our financing methods may vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Bank Balances and Cash

As of December 31, 2012, 2013 and 2014, our bank balances and cash amounted to RMB2,788.1 million, RMB2,776.9 million and RMB3,738.0 million (US\$602.5 million), respectively. Our bank balances and cash increased by RMB961.2 million (US\$154.9 million), or 34.6%, to RMB3,738.0 million (US\$602.5 million) in 2014 from RMB2,776.9 million in 2013, primarily due to net cash inflow from financing activities in 2014, partially offset by net cash outflow in operating and investing activities. Our bank balances and cash decreased by RMB11.2 million, or 0.4%, to RMB2,776.9 million in 2013 from RMB2,788.1 million in 2012, primarily due to net cash inflow from financing activities in 2013, partially offset by net cash outflow in operating and investing activities.

Borrowings

Our borrowings primarily consist of loans from commercial banks and other financial institutions. As of December 31, 2014, we had an aggregate bank borrowings of RMB7,774.4 million (US\$1,253.0 million), which was denominated in Renminbi, U.S. dollars and Hong Kong dollars. Substantially all of our borrowings are secured by land use rights and properties of our Group. We have, since December 31, 2014, entered into additional financing arrangements in the ordinary course of business to finance our property developments and for general corporate purposes.

Our borrowings have a range of maturities from less than one year to more than five years. As of December 31, 2014, the interest rate for our fixed rate borrowings is 9.5% per annum and our variable rate borrowings have variable interest rates at either the Hong Kong Interbank Offering Rate plus 2.0%, the London Interbank Offered Rate plus 2.0%, or the benchmark lending rate of the PBOC ranging from minus 0.1% to plus 3.0% per annum.

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

	As of December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)			
	(in thousands)			
Bank loans	5,002,407	5,395,393	6,174,400	995,133
Other loans ⁽¹⁾	550,000	1,600,000	1,600,000	257,873
	<u>5,552,407</u>	<u>6,995,393</u>	<u>7,774,400</u>	<u>1,253,006</u>
Secured	3,951,677	5,886,462	7,636,242	1,230,739
Unsecured	1,600,730	1,108,931	138,158	22,267
	<u>5,552,407</u>	<u>6,995,393</u>	<u>7,774,400</u>	<u>1,253,006</u>
Carrying amount repayable:				
Within one year	1,860,653	1,873,357	4,122,925	664,495
More than one year, but not exceeding two years	1,910,568	2,148,749	1,867,361	300,964
More than two years, but not exceeding five years	1,427,002	2,445,580	927,821	149,538
More than five years	354,184	527,707	856,293	138,009
	<u>5,552,407</u>	<u>6,995,393</u>	<u>7,774,400</u>	<u>1,253,006</u>
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(591,641)	(180,000)	–	–
Less: Amounts due within one year shown under current liabilities	<u>(1,860,653)</u>	<u>(1,873,357)</u>	<u>(4,122,925)</u>	<u>(664,495)</u>
Total	<u>3,100,113</u>	<u>4,942,036</u>	<u>3,651,475</u>	<u>588,511</u>

Note:

(1) All of such other loans as of December 31, 2012, 2013 and 2014, respectively, represent loans provided by certain trust companies, which are secured by property, plant and equipment, investment properties and properties for sale, carry interest ranging from 13.5% to 17.0% per annum in 2012 and at the fixed rate of 9.5% and 9.5% per annum in 2013 and 2014, respectively. The loan balance as of December 31, 2014 will be fully repaid in 2015.

2010 Notes

On May 12, 2010, we issued an aggregate principal amount of US\$120 million of the 2010 Notes to finance property projects and for general corporate purposes. The 2010 Notes matured and were fully repaid as of May 12, 2015.

2012 Notes

On September 27, 2012, we issued an aggregate principal amount of US\$250 million of the 2012 Notes to fund our existing and new property projects, refinance our existing indebtedness and for general corporate purposes. As of December 31, 2014, the entire principal amount of the 2012 Notes remained outstanding.

January 2013 Notes

On January 22, 2013 we issued an aggregate principal amount of US\$250 million of the January 2013 Notes to refinance our existing indebtedness, finance our existing and new project development projects and for other general corporate purposes. As of December 31, 2014, the entire principal amount of the January 2013 Notes remained outstanding.

May 2013 Notes

On May 27, 2013, we issued an aggregate principal amount of RMB1 billion of the May 2013 Notes to refinance our existing indebtedness, finance our existing and new property projects (including land premium and construction costs) and for other general corporation purposes. As of December 31, 2014, the entire principal amount of the May 2013 Notes remained outstanding.

2014 Notes

On January 23, 2014, we issued an aggregate principal amount of US\$300 million of the 2014 Notes to refinance our existing indebtedness, finance our existing and new property projects (including land premium and construction costs) and for other general corporation purposes. As of December 31, 2014, the entire principal amount of the 2014 Notes remained outstanding.

Commitments

As of December 31, 2014, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB4,843.3 million (US\$780.6 million), primarily arising from committed payment for land development expenditure and acquisition of subsidiaries. The following table sets forth our contractual obligations, other than loans and borrowings, as of the dates indicated:

	As of December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
				(in thousands)
Operating lease commitments:				
Within one year	11,709	8,014	7,997	1,289
In the second to the fifth year inclusive	34,703	13,364	6,280	1,012
After the fifth year	3,310	—	—	—
	<u>49,722</u>	<u>21,378</u>	<u>14,277</u>	<u>2,301</u>

	As of December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			
	(unaudited)			
Other commitments:				
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	4,615,929	4,732,040	4,307,410	694,228
Land development expenditure commitments in respect of development cost contracted for but not provided in the consolidated financial statements.	91,130	–	–	–
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	47,192	31,881	138,089	22,256
Construction commitments in respect of hotels contracted for but not provided in the consolidated financial statements	54,482	–	–	–
Consideration commitments in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	2,435	–	21,335	3,439
Consideration commitments in respect of acquisition of subsidiaries authorised but not yet contracted.	–	–	241,936	38,993
Consideration commitments in respect of capital expenditure	–	11,620	134,532	21,683
	<u>4,811,168</u>	<u>4,775,541</u>	<u>4,843,302</u>	<u>780,599</u>

Contingent Liabilities

As of December 31, 2014, we provided guarantees to PRC banks for loans with an aggregate principal amount of RMB4,778.1 million (US\$770.1 million), in respect of mortgages provided by the banks to purchasers of the properties we developed and sold. Our guarantees are issued from the dates of grant of the relevant mortgages and released upon issuance of property ownership certificates or after the full repayment of the underlying mortgages by the purchasers.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by purchasers of the properties, we are responsible to repay the outstanding mortgage loans, together with accrued interests thereon and any penalty owed by the purchasers in default to banks. We are entitled to take over the legal title of the related properties. The guarantee period commences from the date of grant of the relevant mortgage loan and ends after the relevant purchaser obtains the individual property ownership certificate. No provision for the guarantee contracts was recognized in the financial statement in 2012.

Off-balance Sheet Commitments and Arrangements

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

Market Risks

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

Commodities Risk

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

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our indebtedness are typically fixed rate borrowings that are subject to negotiation in interest rate on an annual basis and any increase in interest rates will increase our finance costs. We currently do not hedge our interest rate risk, but may do so in the future.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits. The PBOC benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2012, 2013 and 2014 were 6.00%, 6.00% and 5.60%, respectively.

Foreign Exchange Rate Risk

We conduct our business exclusively in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. Fluctuations in the value of Renminbi to the U.S. dollar may adversely affect our cash flows, revenue, earnings and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange losses on bank balances and other assets we maintain in non-Renminbi currencies. Pending application of the net proceeds of this offering, we may invest the net proceeds from this offering in Temporary Cash Investments in U.S. dollars before they are used in our PRC operations. See "Risk Factors—Risks Relating to the PRC—Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on your investment." We currently do not hedge our foreign exchange risk but may do so in the future.

Inflation

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.6%, 2.6% and 2.0% in the years ended December 31, 2012, 2013 and 2014, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase.

Non-GAAP Financial Measures

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

- fair value change of investment properties;
- recognition of change in fair value of completed properties for sales upon transfer to investment properties;
- impairment loss recognized in respect of goodwill;
- interest income/expense;
- amortization of intangible assets;
- non-operating income/expense;
- income tax expense; and
- depreciation.

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 years indicated.

	For the year ended December 31,			
	2012	2013	2014	
	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)			
	(in thousands)			
Profit for the year	1,125,649	1,230,191	1,372,311	221,176
Adjustments:				
Gain on fair value changes of investment properties	(167,876)	(167,319)	(575,840)	92,809
Recognition of change in fair value of completed properties for sales upon transfer to investment properties	(330,257)	(10,177)	(95,665)	15,418
Impairment loss recognized in respect of goodwill	–	–	–	–
Finance cost – net	47,274	253,287	267,597	43,129
<i>Interest expenses</i>	57,698	260,294	290,948	46,892
<i>Interest income</i>	(10,424)	(7,007)	(23,351)	(3,763)
Income tax expense	1,261,209	1,174,112	1,157,408	186,540
Depreciation expenses	37,478	64,521	91,095	14,682
Amortization expenses	23,235	34,792	51,003	8,220
EBITDA	1,996,712	2,579,407	2,267,909	365,521
EBITDA margin	32%	35%	31%	31%

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or period or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for income taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

INDUSTRY OVERVIEW

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

The Economy of China

Overview

The economy of China has grown significantly since the PRC government introduced economic reforms in the late 1970's. China's accession to the WTO in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP has increased from approximately RMB31,404.5 billion in 2008 to approximately RMB63,646.3 billion in 2014 at a CAGR of approximately 12.5%.

The Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region are four of the most economically prosperous and vibrant regions in China. The table below sets forth the GDP data for China and the aforementioned four regions for the years indicated:

	Nominal GDP (in RMB billions)							08-14 CAGR
	2008	2009	2010	2011	2012	2013	2014	
PRC	31,404.5	34,090.3	40,151.3	47,310.4	51,932.2	56,884.5	63,646.3	12.5%
Chengdu-Chongqing Economic Zone	899.8	1,103.3	1,347.7	1,686.6	1,959.8	2,176.6	2,432.2	18.0%
Pearl River Delta region	2,972.6	3,214.7	3,767.3	4,372.1	4,778.0	5,306.0	N/A	N/A
Yangtze River Delta region	6,651.5	7,249.4	8,631.4	10,062.5	10,876.6	12,032.2	N/A	N/A
Beijing-Tianjin metropolitan region	1,746.9	1,967.5	2,333.8	2,755.9	3,077.3	3,417.1	3,705.3	13.4%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

The table below sets forth the per capita disposable annual income for urban households for China and the aforementioned four regions for the years indicated. In 2014, China's per capita disposable income of urban households increased to approximately RMB28,844, an 6.8% increase compared to 2013.

	Per capita disposable income of urban households (in RMB)							08-14 CAGR
	2008	2009	2010	2011	2012	2013	2014	
PRC	15,781	17,175	19,109	21,810	24,565	26,995	28,844	10.6%
Chengdu-Chongqing Economic Zone	14,712	16,273	18,213	21,160	24,145	27,592	N/A	N/A
Pearl River Delta region	22,677	24,842	27,536	29,686	N/A	N/A	N/A	N/A
Yangtze River Delta region	21,208	23,149	25,795	29,429	32,955	37,090	40,203	11.2%
Beijing-Tianjin metropolitan region	22,553	24,541	27,168	30,500	33,692	35,808	43,910	11.7%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

The Property Market In China

Overview

We believe the economic growth of China, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate, are key factors in sustaining the growth of China's property market. Government housing reforms continue to encourage private ownership and it is expected that an increasing proportion of urban residents who will own private properties will continue to increase over the coming years in the near future. The table below sets forth 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	08-14 CAGR
Urban population (in millions)	624.0	645.1	669.8	690.8	711.8	731.1	749.2	31%
Total population (in millions).	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	0.5%
Urbanization rate (%)	47.0%	48.3%	49.9%	51.3%	52.6%	53.7%	54.8%	2.6%
Annual disposable income per capital of urban households (in RMB).	15,780.8	17,174.7	19,109.4	21,809.8	24,564.7	26,462.4	28,844.0	10.6%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Pearl River Delta region is the earliest area in China that has experienced real estate marketization. As China's economy continues to develop and mature, there was an increasing shift in real estate activities from the southern part of China to the north. As a result, the Yangtze River Delta region and Beijing-Tianjin metropolitan region has joined the Pearl River Delta region to form three of the most prosperous zones in China. Due to various factors that include varying regional economic development level, city development characteristics and maturity of the different real estate markets, the property markets in the PRC possesses distinct regional differences. However, major cities in the three traditional economic zones of the Yangtze River Delta region, the Pearl River Delta region and the Beijing-Tianjin metropolitan region are still recognized as leading cities in the real estate market in China. The historical and recent development and trend in the real estate market in China has also shown an increase of activities from the eastern part of China to the west and from the coastal regions to the inland regions. Such trend, along with the implementation of the Western Development Policy by the PRC government to promote the development of China's western region, the Chengdu-Chongqing Economic Zone has in recent years gradually attracted significant investment and has become the business hub of western China.

The table below sets forth the property development investment for China and the aforementioned four regions for the years indicated. China's property development investment has increased from approximately RMB3,120.3 billion in 2008 to approximately RMB9,503.6 billion in 2014 at a CAGR of approximately 20.4%.

2. According to the Notice on Issuance of Provisions of Distinguish Standards for Small and Medium-Enterprises (關於印發中小企業劃型標準規定的通知) issued by the Ministry of Industry and Information Technology, NDRC, MOF and National Bureau of Statistics of China, small and medium-enterprises are defined based on the number of employees, revenues and the total assets value of such enterprises.
3. According to the section entitled "Description" in 2011 Statistic Yearbook of Small and Medium Enterprises, "above-scale enterprises" refers to all of the state-owned enterprises and the non-state-owned enterprises with annual revenue of over RMB5.0 million.

Property Development Investment

	Investment in properties (in RMB billions)							08-14
	2008	2009	2010	2011	2012	2013	2014	CAGR
PRC	3,120.3	3,624.2	4,825.9	6,179.7	7,180.4	8,601.3	9,503.6	20.4%
Chengdu-Chongqing Economic Zone	191.5	218.4	289.9	361.1	439.8	512.4	584.6	20.4%
Pearl River Delta region	256.6	258.3	311.9	402.3	448.4	537.1	N/A	N/A
Yangtze River Delta region	643.1	705.6	931.3	1,186.0	1,381.4	1,627.7	1,870.9	19.5%
Beijing-Tianjin metropolitan region	256.2	307.3	376.8	411.6	441.3	496.4	541.5	13.3%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Property Price and Supply

The average price per square meter for the property market in China was approximately RMB6,323.5 in 2014, compared to approximately RMB3,800.0 in 2008. Supply of properties in China also increased from approximately 658.1 million square meters in 2008 to approximately 1,075.0 million square meters in 2014.

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

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA completed (in million square meters)	658.1	788.8	834.3	991.4	1,069.3	1,067.6	1,075.0	8.5%
Total GFA sold (in million square meters)	620.9	947.6	1,043.5	1,093.7	1,113.0	1,305.5	1,206.5	11.7%
GFA of residential properties sold (in million square meters)	558.9	861.9	930.5	965.3	984.7	1,157.2	1,051.8	11.1%
GFA of office buildings sold (in million square meters)	11.6	15.4	18.9	20.0	22.5	28.8	25.0	13.7%
Average price of properties (in RMB per square meter)	3,800.0	4,681.0	5,032.0	5,357.1	5,791.0	6,237.0	6,323.5	8.9%
Average price of residential properties (in RMB per square meter)	3,576.0	4,459.0	4,725.0	5,011.0	5,429.9	5,850.0	5,932.2	8.8%
Average price of office buildings (in RMB per square meter)	8,378.0	10,608.0	11,406.0	12,327.3	12,306.4	12,996.5	11,786.9	5.9%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

The Property Market in the Chengdu-Chongqing Economic Zone

The Chengdu-Chongqing Economic Zone centers around the cities of Chengdu and Chongqing and occupies an area of approximately 155,000 square meters. The region has a GDP of approximately RMB2,432.2 billion in 2014 and has a population of over 40 million. The Chinese government plans to construct various water conservancy facilities and energy supply system in the Chengdu-Chongqing Economic Zone and also plans to develop the region into a comprehensive transportation hub and logistics center. The Chengdu-Chongqing Economic Zone is an important base for China's advanced equipment manufacturing industry, modern service industry, high-tech industry and agriculture industry. The region is also a national pilot area for the co-ordination of urban and rural comprehensive reform and was classified as a national protected ecological security zone. The Chengdu-Chongqing Economic Zone serves as the primary success model as to western China's development potential.

Sale of properties in the Chengdu-Chongqing Economic Zone has experienced an upward trend in recent years. The total GFA of properties sold in the Chengdu-Chongqing Economic Zone increased from approximately 43.3 million square meters in 2008 to approximately 77.7 million square meters in 2013, representing a CAGR of approximately 12.4%. The table below sets forth selected data relating to the property market in the Chengdu-Chongqing Economic Zone for the years indicated:

	2008	2009	2010	2011	2012	2013	08-13 CAGR
Overview							
Total GFA sold (in million square meters)	43.3	67.1	68.7	72.5	73.7	77.7	12.4%
Total sales revenue (in RMB billions).	150.9	271.2	336.6	395.7	437.0	480.6	26.1%
Average price of properties (in RMB per square meter).	3,483	4,041	4,897	5,470	5,933	6,187	12.2%
Investment in properties (in RMB billions).	191.5	218.4	289.9	361.1	439.8	512.4	21.8%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Chengdu

Chengdu is the capital city of Sichuan Province and is located at the western edge of the Sichuan Basin, with an area of approximately 12,390 square kilometers. In 2007, the central government of the PRC designated Chengdu as a National Experimental Zone of Comprehensive Coordinated Reforms for Balanced Urban and Rural Development in recognition of Chengdu's comprehensive strength and development potential in western China. It had a population of approximately 14.3 million in 2013. Chengdu has experienced significant GDP growth rate in recent years from approximately RMB390.1 billion in 2008 to approximately RMB910.9 billion in 2013, representing a CAGR of approximately 18.5%, exceeding the CAGR of national GDP of approximately 12.5% over the same period.

In line with the rapid economic growth of Chengdu, the volume of sales of local properties has experienced an upward trend in recent years. According to the Chengdu Bureau of Statistics, the total GFA of properties sold in Chengdu increased from approximately 14.6 million square meters in 2008 to approximately 29.5 million square meters in 2014, representing a CAGR of approximately 12.4%. The average price of properties in Chengdu increased from approximately RMB4,857 per square meter in 2008 to approximately RMB7,288 per square meter in 2012, representing a CAGR of approximately 12.2%. Investment in properties in Chengdu in 2012 continued to show steady increase to approximately RMB188.9 billion. The table below sets forth data relating to the property market in Chengdu for the periods indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold (in million square meters)	14.6	27.1	25.6	26.8	28.4	29.5	29.5	12.4%
Total sales revenue (in RMB billions)	70.9	133.4	151.9	181.1	207.3	212.3	207.5	19.6%
Average price of properties (in RMB per square meter)	4,857	4,925	5,937	6,717	7,288	7,197	7,032	6.4%
Investment in properties (in RMB billions)	92.4	94.5	127.8	158.8	188.9	211.1	221.6	15.7%
Total GFA of office buildings sold (in thousand square meters)	247.7	578.6	779.0	798.9	1,481.4	1,060.3	1,223.0	30.5%
Total sales revenue from office buildings (in RMB billions)	1.68	3.40	7.23	8.05	13.64	10.70	9.65	33.8%
Average price of office buildings (in RMB per square meter)	6,788	5,881	9,280	10,070	9,208	10,095	7,894	2.5%
Investment in office buildings (in RMB billions)	2.22	3.09	5.05	8.34	12.59	15.89	N/A	N/A

Sources: National Bureau of Statistics of China, Chengdu Bureau of Statistics

The Property Market in the Pearl River Delta Region

The Pearl River Delta region is one of the leading economic regions and a major manufacturing center of China. It covers nine prefectures of the province of Guangdong, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing, and is adjacent to Hong Kong and Macau. It had a population of over 57.2 million in 2013 and occupies an area of approximately 41,500 square meters. The Chinese government aims to make the Pearl River Delta region a shipping, logistics, trade, exhibition, tourism and innovation center for mutual development with Hong Kong and Macau, and position the region as a pioneer for carrying out various reforms and a key economic center of China.

Sale of properties in the Pearl River Delta region has experienced an upward trend in recent years. The total GFA of properties sold in the Pearl River Delta region increased from approximately 37.1 million square meters in 2008 to approximately 72.0 million square meters in 2013, representing a CAGR

of approximately 14.2%. The table below sets forth selected data relating to the property market in the Pearl River Delta region for the years indicated:

	2008	2009	2010	2011	2012	2013	08-13 CAGR
Overview							
Total GFA sold (in million square meters)	37.1	55.4	55.7	54.6	57.6	72.0	14.2%
Total sales revenue (in RMB billions)	260.3	417.3	488.3	506.8	545.0	764.5	24.0%
Average price of properties (in RMB per square meter)	7,014	7,530	8,763	9,282	9,466	10,624	8.7%
Investment in properties (in RMB billions)	256.6	258.3	311.9	402.3	448.4	537.1	15.9%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Shenzhen

Shenzhen is located in the southern part of Guangdong Province and borders Hong Kong with an area of approximately 1,953 square kilometers. It had a population of over 10.7 million in 2014. Shenzhen has experienced GDP growth in recent years from approximately RMB778.7 billion in 2008 to approximately RMB1,600.2 billion in 2014, representing a CAGR of approximately 12.8%. Furthermore, in 2007, Shenzhen became the first and only city in China with a per capita GDP of over US\$10,000 according to various news reports.

In line with the economic growth of Shenzhen, property price has increased significantly in recent years. According to the Shenzhen Bureau of Statistics, the average price of properties increased from approximately RMB12,665 per square meters in 2008 to RMB24,723 per square meters in 2014, representing a CAGR of approximately 11.8%. The table below sets forth data relating to the property market in Shenzhen for the periods indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold (in million square meters)	4.7	7.6	4.7	5.0	5.3	5.9	5.3	2.2%
Total sales revenue (in RMB billions) .	59.1	111.4	89.3	108.5	103.0	143.6	131.7	14.3%
Average price of properties (in RMB per square meter)	12,665	14,615	19,170	21,350	19,590	24,402	24,723	11.8%
Investment in properties (in RMB billions)	44.0	43.7	45.8	51.5	73.7	87.7	107.0	15.9%

Sources: National Bureau of Statistics of China, Shenzhen Bureau of Statistics

Dongguan

Dongguan is a prefecture-level city located in central Guangdong province. It is an important industrial city located in the Pearl River Delta region and borders the provincial capital of Guangzhou with an area of approximately 2,465 square kilometers. It had a population of approximately 8.3 million in 2013. Dongguan has experienced significant GDP growth in recent years from approximately RMB370.4 billion in 2008 to approximately RMB549.0 billion in 2013, representing a CAGR of approximately 8.2%.

In line with the economic growth of Dongguan, the volume of sales of local properties has experienced an upward trend in recent years. According to the Dongguan Bureau of Statistics, the total GFA of properties sold in Dongguan increased from approximately 5.1 million square meters in 2008 to approximately 5.6 million square meters in 2014, representing a CAGR of approximately 1.6%. The table below sets forth data relating to the property market in Dongguan for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold (in million square meters)	5.1	6.0	5.1	6.0	6.4	8.0	5.6	1.6%
Total sales revenue (in RMB billions)	28.4	35.3	37.4	46.0	54.2	72.8	51.1	10.3%
Average price of properties (in RMB per square meter)	5,567	5,881	7,310	7,717	8,486	9,066	9,151	8.6%
Investment in properties (in RMB billions)	27.1	27.8	29.9	37.3	37.7	49.8	58.8	13.8%

Sources: National Bureau of Statistics of China, Dongguan Bureau of Statistics

Huizhou

Huizhou is a prefecture-level city located in the south-eastern part of Guangdong Province with an area of approximately 11,200 square kilometers. It had a population of approximately 4.7 million in 2014. Huizhou has experienced GDP growth rate in recent years from approximately RMB130.4 billion in 2008 to approximately RMB300.1 billion in 2014, representing a CAGR of approximately 14.9%.

In line with the economic growth of Huizhou, the volume of sales of local properties has experienced an upward trend in recent years. According to the Huizhou Bureau of Statistics, the total GFA of properties sold in Huizhou increased from approximately 3.0 million square meters in 2008 to approximately 9.8 million square meters in 2014, representing a CAGR of approximately 22.2%. The table below sets forth data relating to the property market in Huizhou for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold (in million square meters)	3.0	5.4	6.3	8.0	8.3	11.5	9.8	22.2%
Total sales revenue (in RMB billions)	12.2	23.2	31.1	44.1	47.8	67.2	58.9	30.0%
Average price of properties (in RMB per square meter)	4,121	4,266	4,960	5,537	5,787	5,847	5,984	6.4%
Investment in properties (in RMB billions)	18.7	17.5	26.8	37.7	48.2	59.4	66.7	23.6%

Sources: National Bureau of Statistics of China, Huizhou Bureau of Statistics

The Property Market in the Yangtze River Delta Region

The Yangtze River Delta region has one of the strongest regional economies in China. It includes two provinces, Jiangsu and Zhejiang, and one city, Shanghai. Its population accounts for approximately 12.5% of China's total population and its GDP accounts for approximately 22.9% of China's total GDP in 2013. The Chinese government has positioned the Yangtze River Delta region as China's strongest economic, financial, trading and shipping centers.

Sale of properties in the Yangtze River Delta region has experienced an upward trend in recent years. The total GFA of properties sold in the Yangtze River Delta region increased from approximately 107.0 million square meters in 2008 to approximately 166.1 million square meters in 2014, representing a CAGR of approximately 7.6%. The table below sets forth selected data relating to the property market in the Yangtze River Delta Region for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold (in million square meters)	107.0	191.6	163.6	132.9	149.2	187.2	166.1	7.6%
Total sales revenue (in RMB billions) .	623.6	1,377.1	1,298.0	1,131.4	1,299.9	1,722.1	1,532.1	16.2%
Average price of properties (in RMB per square meter)	5,557	7,188	7,933	8,511	8,711	9,197	9,225	8.8%
Investment in properties (in RMB billions)	643.1	705.6	931.3	1,186.0	1,381.4	1,627.7	1,870.9	19.5%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Suzhou

Suzhou is a prefecture-level city located in the southeast of Jiangsu province. It is a part of the Yangtze River Delta region and is located on the shores of the Taihu Lake adjacent to the Shanghai municipality. It has an area of approximately 8,488 square kilometers. It had a population of approximately 10.6 million in 2014. Suzhou has experienced significant GDP growth in recent years from approximately RMB707.8 billion in 2008 to approximately RMB1,350.0 billion in 2014, representing a CAGR of approximately 11.4%.

In line with the economic growth of Suzhou, property price has increased significantly in recent years. According to the Suzhou Bureau of Statistics, the average price of properties in Suzhou increased from approximately RMB5,692 per square meters in 2008 to RMB9,674 per square meters in 2014, representing a CAGR of approximately 9.2%. The table below sets forth data relating to the property market in Suzhou for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold (in million square meters)	10.1	23.5	15.1	12.1	14.7	18.8	16.0	8.0%
Total sales revenue (in RMB billions) .	57.3	150.7	124.8	109.1	133.6	180.4	154.7	18.0%
Average price of properties (in RMB per square meter)	5,692	6,423	8,243	9,013	9,114	9,620	9,674	9.2%
Investment in properties (in RMB billions)	71.8	72.4	93.6	119.9	126.3	141.4	176.4	16.2%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Wuxi

Wuxi is a prefecture-level city located in the south of Jiangsu province. It is a part of the Yangtze River Delta region and is bordered by Changzhou in the west and Suzhou to the east. It has an area of approximately 4,627 square kilometers. It had a population of approximately 6.5 million in 2014. Wuxi has experienced significant GDP growth in recent years from approximately RMB446.1 billion in 2008 to approximately RMB820.5 billion in 2014, representing a CAGR of approximately 10.7%.

In line with the economic growth of Wuxi, investment in properties has increased significantly in recent years. According to the Wuxi Bureau of Statistics, investment in properties in Wuxi increased from approximately RMB45.0 billion in 2008 to RMB124.9 billion in 2014, representing a CAGR of approximately 18.6%. The table below sets forth data relating to the property market in Wuxi for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold								
(in million square meters)	5.4	11.1	10.5	6.6	9.3	9.1	8.4	7.7%
Total sales revenue (in RMB billions) .	28.9	66.6	81.1	57.0	77.7	71.4	64.1	14.2%
Average price of properties								
(in RMB per square meter)	5,375	5,997	7,764	8,637	8,385	7,875	7,653	6.1%
Investment in properties								
(in RMB billions)	45.0	46.3	61.3	87.8	97.4	112.6	124.9	18.6%

Sources: National Bureau of Statistics of China, Wuxi Bureau of Statistics

Ningbo

Ningbo is a prefecture-level city located in the northeast of Zhejiang province. It is a part of the Yangtze River Delta region and is bordered by East China Sea and Zhoushan Archipelago in the east, Hangzhou bay in the north, Shaoxing in the west and Taizhou in the south. It has an area of approximately 9,816 square kilometers. It had a population of approximately 7.7 million in 2013. Ningbo has experienced significant GDP growth in recent years from approximately RMB396.4 billion in 2008 to approximately RMB760.3 billion in 2014, representing a CAGR of approximately 11.5%.

In line with the economic growth of Ningbo, investment in properties has increased significantly in recent years. According to the Ningbo Bureau of Statistics, investment in properties in Ningbo increased from approximately RMB30.8 billion in 2008 to RMB132.8 billion in 2014, representing a CAGR of approximately 27.6%. The table below sets forth data relating to the property market in Ningbo for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold								
(in million square meters)	4.5	8.2	6.9	5.3	5.9	7.3	7.3	8.4%
Total sales revenue (in RMB billions) .	32.4	73.3	77.8	58.1	66.3	81.0	78.1	15.8%
Average price of properties								
(in RMB per square meters)	7,224	8,992	11,224	11,032	11,240	11,100	10,745	6.8%
Investment in properties								
(in RMB billions)	30.8	37.5	55.7	75.5	88.4	112.3	132.8	27.6%

Sources: National Bureau of Statistics of China, Ningbo Bureau of Statistics

The Property Market in the Beijing-Tianjin Metropolitan Region

Beijing-Tianjin metropolitan region centers around two cities, Beijing and Tianjin, which are the most economically vibrant cities in northern China. In 2014, the region had a GDP of RMB3,705.3 billion and accounted for approximately 5.8% of China's total GDP.

Sale of properties in the Beijing-Tianjin metropolitan region has experienced an upward trend in recent years. The average price of properties increased from approximately RMB9,320 per square meter in 2008 to approximately RMB13,777 per square meter in 2014, representing a CAGR of approximately 6.7%. The table below sets forth selected data relating to the property market in the Beijing-Tianjin metropolitan region for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold (in million square meters)	25.9	39.5	32.0	30.3	36.1	37.5	30.7	2.9%
Total sales revenue (in RMB billions)	241.1	435.5	416.2	382.0	467.4	514.6	422.6	9.8%
Average price of properties (in RMB per square meter)	9,320	11,018	12,989	12,591	12,964	13,723	13,777	6.7%
Investment in properties (in RMB billions)	256.2	307.3	376.8	411.6	441.3	496.4	541.5	13.3%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Tianjin

Tianjin is one of the four municipalities of China that are directly under the central government and have provincial-level status, with an area of approximately 11,920 square kilometers. It had a population of approximately 14.7 million in 2013. The city's urban area is located along the Haihe River and its ports are located on Bohai Gulf in the Pacific Ocean. Tianjin has experienced significant GDP growth in recent years from approximately RMB671.9 billion in 2008 to approximately RMB1,572.3 billion in 2014, representing a CAGR of approximately 15.2% and exceeding the CAGR of national GDP of approximately 12.3% over the same period.

In line with the economic growth of Tianjin, the volume of sales of local properties has experienced an upward trend in recent years. According to the Tianjin Bureau of Statistics, the total GFA of properties sold in Tianjin increased from approximately 12.5 million square meters in 2008 to approximately 16.1 million square meters in 2014, representing a CAGR of approximately 4.3%. The average price of properties in Tianjin increased from approximately RMB6,015 per square meter in 2008 to approximately

RMB9,219 per square meter in 2014, representing a CAGR of approximately 7.4%. The table below sets forth selected data relating to the property market in Tianjin for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	08-14 CAGR
Total GFA sold (in million square meters)	12.5	15.9	15.1	15.9	16.6	18.5	16.1	4.3%
Total sales revenue (in RMB billions)	75.3	109.5	124.6	139.4	136.6	161.5	148.7	12.0%
Average price of properties (in RMB per square meter)	6,015	6,886	8,197	8,745	8,218	8,746	9,219	7.4%
Investment in properties (in RMB billions)	65.4	73.5	86.7	108.0	126.0	148.1	170.0	17.3%
Total GFA of office buildings sold (in thousand square meters)	293.0	295.5	352.9	428.0	281.7	235.0	135.3	-12.1%
Total sales revenue from office buildings (in RMB billions)	2.87	3.29	4.89	5.35	3.76	2.69	1.71	-8.2%
Average price of office buildings (in RMB per square meter)	9,783	11,134	13,855	12,510	13,349	11,441	12,650	4.4%
Investment in office buildings (in RMB billions)	3.10	3.28	7.72	10.98	8.57	10.00	N/A	N/A

Sources: National Bureau of Statistics of China, Tianjin Bureau of Statistics

The Property Market in the Other Cities

Guilin

Guilin is the capital city of Guangxi province and is located in the northeast of Guangxi. It has an area of approximately 27,809 square kilometers. It had a population of approximately 5.0 million in 2014. Guilin has experienced significant GDP growth in recent years from approximately RMB85.2 billion in 2008 to approximately RMB182.7 billion in 2014, representing a CAGR of approximately 13.6%.

In line with the economic growth of Guilin, the volume of sales of local properties has experienced an upward trend in recent years. According to the Guilin Bureau of Statistics, the total volume of sales of properties in Guilin increased from approximately RMB7.4 billion in 2008 to RMB16.9 billion in 2014, representing a CAGR of approximately 17.9%. The table below sets forth data relating to the property market in Guilin for the years indicated:

	2008	2009	2010	2011	2012	2013	08-13 CAGR
Total GFA sold (in million square meters)	2.7	2.7	3.2	3.0	3.2	3.8	7.6%
Total sales revenue (in RMB billions)	7.4	8.2	11.6	11.8	13.7	16.9	17.9%
Average price of properties (in RMB per square meter)	2,796	2,981	3,574	3,901	4,233	4,413	9.6%
Investment in properties (in RMB billions)	8.3	9.2	11.8	15.8	17.6	19.4	18.5%

Sources: National Bureau of Statistics of China, Guilin Bureau of Statistics

Dali

Dali Autonomous Prefecture is located in the middle part of Yunnan province. It has an area of approximately 29,459 square kilometers. It had a population of approximately 3.5 million in 2014. Dali has experienced significant GDP growth in recent years from approximately RMB37.2 billion in 2008 to approximately RMB83.2 billion in 2014, representing a CAGR of approximately 14.4%.

In line with the economic growth of Dali, the volume of sales of local properties has experienced an upward trend in recent years. According to the Dali Bureau of Statistics, the total volume of sales of properties in Dali increased from approximately RMB1.4 billion in 2008 to RMB7.1 billion in 2013, representing a CAGR of approximately 37.6%. The table below sets forth data relating to the property market in Dali for the years indicated:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>08-13 CAGR</u>
Total GFA sold (in million square meters)	0.4	1.0	1.0	1.5	1.8	1.4	27.2%
Total sales revenue (in RMB billions)	1.4	3.0	3.8	6.0	8.3	7.1	37.6%
Average price of properties (in RMB per square meter) . . .	3,448	3,108	3,593	4,003	4,591	5,108	8.2%
Investment in properties (in RMB billions)	2.0	2.6	3.3	4.5	7.7	11.5	41.3%

Sources: National Bureau of Statistics of China, Dali Bureau of Statistics

Note:

2012 data not available.

(1) Data not available.

The Property Management Industry In China

According to China Index Academy, the PRC property management industry has been evolving since the 1980's. The industry is currently very fragmented.

From 2008 to 2012, the average GFA managed by the top 100 property management companies grew from 6.7 million sq.m. to 13.5 million sq.m., representing a CAGR of 19.1%. In 2012, while government's macroeconomic measures intensified and the trend of rapid growth of the real estate market was curbed under control, the top 100 property management companies still managed to sustain their competitive advantage in the market by leveraging their brand recognition and high quality services. By the end of 2012, the top 100 property management companies managed 79 properties on average, representing a CAGR of 16.4% since 2008.

In terms of geographical coverage, since 2008, the top 100 property management companies have established presence in an increasing number of locations, reaching an average of 21 cities as of the end of 2012. According to China Index Academy, among the top 100 property management companies in 2012, 20 of such companies had presence in more than 20 cities, 22 had presence in between 10 to 20 cities, 26 had presence in five to 10 cities, and 32 had presence in fewer than five cities.

According to China Index Academy, the top 100 property management companies have strengthened their business scale within cities where they already have some presence by increasing the number of properties they manage in those cities. Furthermore, some of the top 100 property management companies are transforming from regional to national enterprises with a relatively fast pace of expansion, and some of them also pursue acquisitions to accelerate expansion.

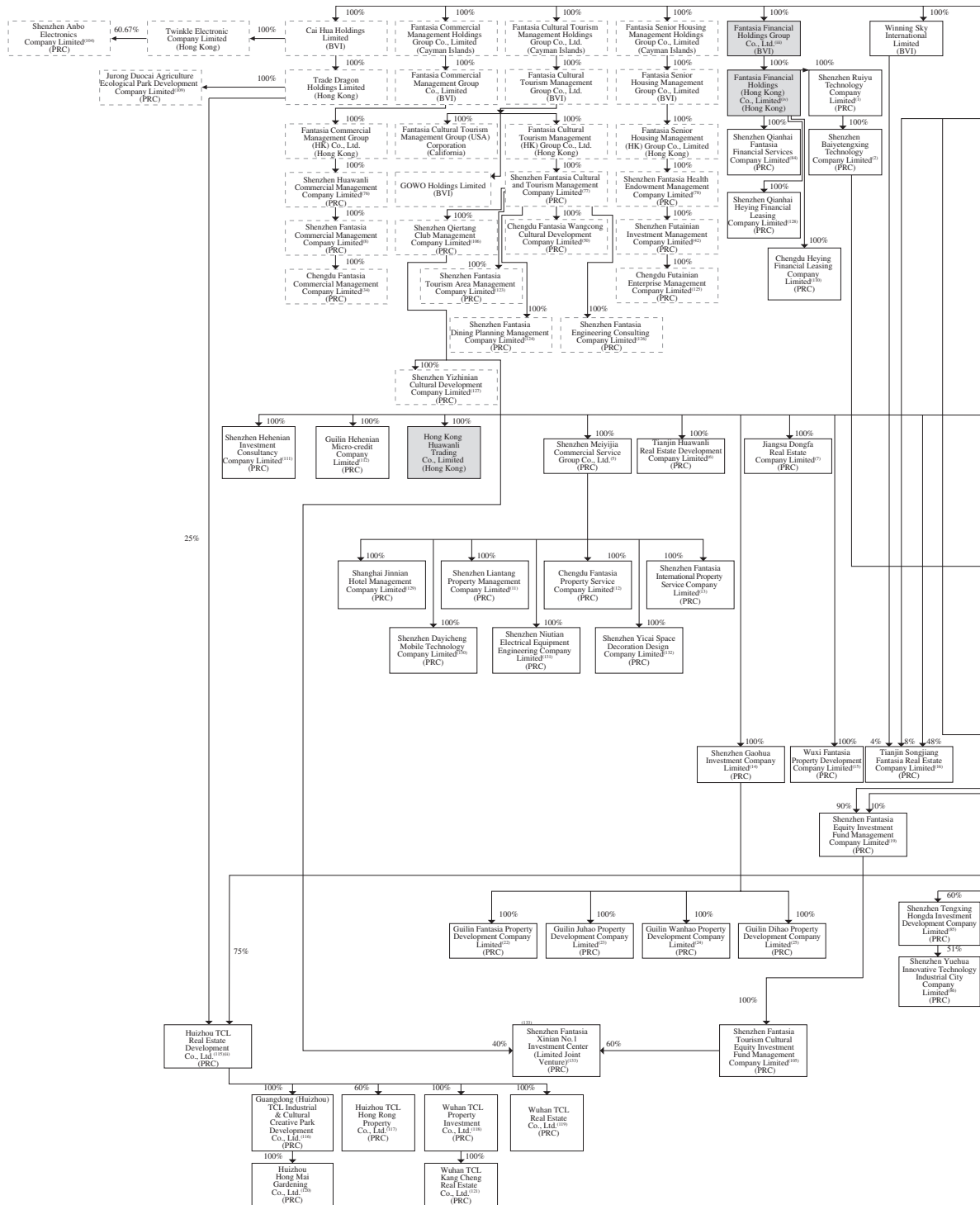
Our directors are optimistic that, while competition is intense, the long-term growth prospects for the property management industry in China are promising as the underlying property market continues to develop along with China's economic growth. Our directors also expect that, as the industry continues to develop, there will be a growing demand for quality and reliable services from property management companies with industry consolidation that eliminates small and inefficient companies and allowing companies with sufficient resources operating on economies of scale to eventually emerge as market leaders.

The Hotel Services Industry In China

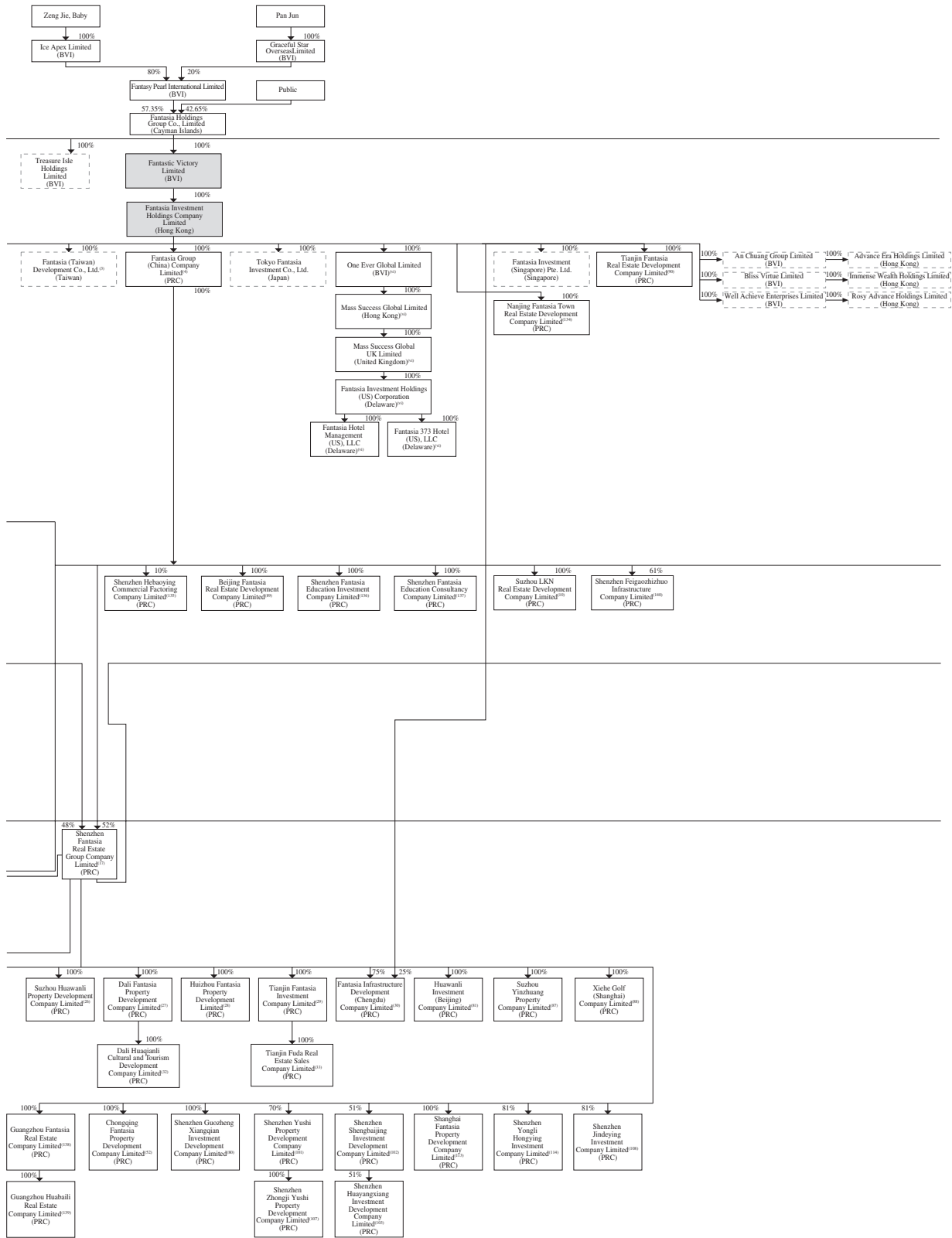
The growth of the PRC economy and its tourism industry has led to a rapid development of the hotel industry in China in recent years. According to the National Bureau of Statistics of China and the National Tourism Administration of China (中國國家旅遊局), total tourism volume grew from 1,842 million visits in 2008 to 3,739 million visits in 2014 with a CAGR of 12.5% and total tourism revenue in China grew from RMB1,158.6 billion in 2008 to RMB3,380.0 billion in 2014 with a CAGR of 19.5%. As a result of the desire to benefit from an increasingly affluent domestic population as well as the influx of visitors, many foreign corporate and hotel investors, developers and operators have entered into the hotel industry in China with a hope of securing a presence in the industry. In addition, China's entry into the WTO in 2002, Beijing's successful organization of the 2008 Olympic games and Shanghai's successful organization of the World Expo in 2010, have served to illustrate China's importance in the world stage, and thereby furthered strong interest and growth in the hotel industry in China, especially in the major cities.

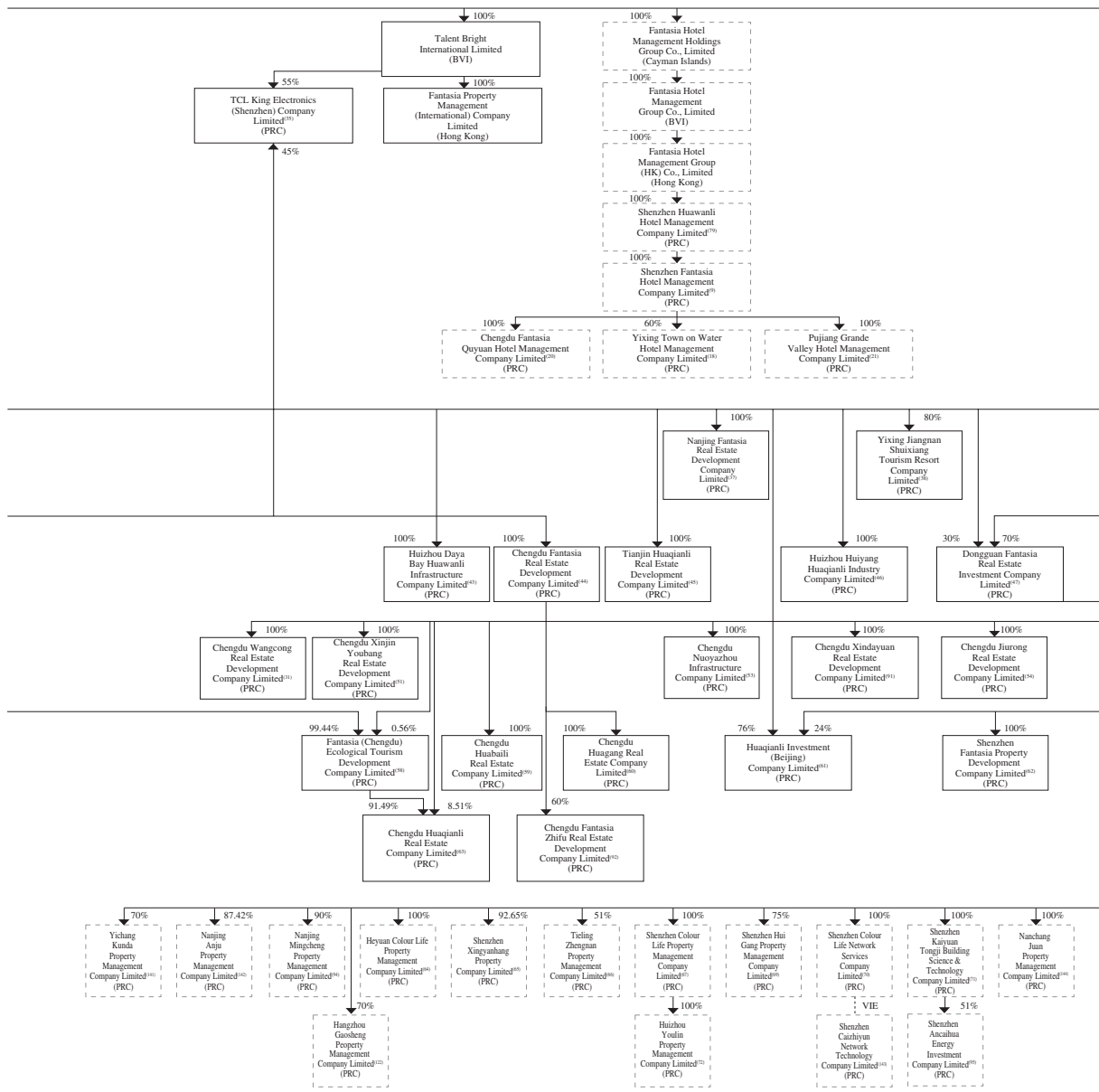
CORPORATE STRUCTURE

The following chart shows our corporate structure as of the date of this offering memorandum:



Subsidiary Guarantors
 Unrestricted Subsidiaries





The Chinese names of the Taiwan and PRC entities are as follows:

- (1) 深圳市瑞禹科技有限公司
- (2) 深圳市百業騰興科技有限公司
- (3) 臺灣花樣年開發股份有限公司
- (4) 花樣年集團(中國)有限公司
- (5) 深圳市美易家商務服務集團有限公司
- (6) 天津市花萬里房地產開發有限公司
- (7) 江蘇東發置業有限公司
- (8) 深圳花樣年商業管理有限公司
- (9) 深圳市花樣年酒店管理有限公司
- (10) 蘇州林甲岩房產發展有限公司
- (11) 深圳市蓮塘物業管理有限公司
- (12) 成都市花樣年物業服務有限公司
- (13) 深圳市花樣年國際物業服務有限公司
- (14) 深圳市高華投資有限公司
- (15) 無錫花樣年房地產開發有限公司
- (16) 天津松江花樣年置業有限公司
- (17) 深圳市花樣年地產集團有限公司
- (18) 宜興市雲海閣酒店管理有限公司
- (19) 深圳市花樣年股權投資基金管理有限公司
- (20) 成都花樣年趣園酒店管理有限公司
- (21) 蒲江縣大溪谷酒店管理有限公司
- (22) 桂林市花樣年房地產開發有限公司
- (23) 桂林聚豪房地產開發有限公司
- (24) 桂林萬豪房地產開發有限公司
- (25) 桂林帝豪房地產開發有限公司
- (26) 蘇州市花萬里房地產開發有限公司
- (27) 大理市花樣年房地產開發有限公司
- (28) 惠州市花樣年房地產開發有限公司
- (29) 天津市花樣年投資有限公司
- (30) 花樣年實業發展(成都)有限公司
- (31) 成都望叢房地產開發有限公司
- (32) 大理市花千里文化旅遊開發有限公司
- (33) 天津福大房地產銷售有限公司
- (34) 成都花樣年商業管理有限公司
- (35) TCL王牌電子(深圳)有限公司
- (36) 深圳置富房地產開發有限公司
- (37) 南京花樣年房地產開發有限公司
- (38) 宜興市江南水鄉度假村有限公司
- (39) 深圳市花千里房地產開發有限公司
- (40) 寧夏回族自治區新聖基建築工程有限公司
- (41) 雅浩科技發展(深圳)有限公司
- (42) 深圳市福泰年投資管理有限公司
- (43) 惠州大亞灣花萬里實業有限公司
- (44) 成都市花樣年房地產開發有限公司
- (45) 天津市花千里房地產開發有限公司
- (46) 惠州市惠陽區花千里實業有限公司
- (47) 東莞市花樣年房地產投資有限公司
- (48) 深圳宏威裝飾設計工程有限公司
- (49) 深圳市彩生活服務集團有限公司
- (50) 成都花樣年望叢文化發展有限公司
- (51) 成都新津友幫房地產開發有限責任公司
- (52) 重慶市花樣年房地產開發有限公司
- (53) 成都市諾亞舟實業有限公司
- (54) 成都九蓉房地產開發有限公司
- (55) 成都花萬里置業有限公司
- (56) 東莞市花千里房地產開發有限公司
- (57) 深圳市康年科技有限公司
- (58) 花樣年(成都)生態旅遊開發有限公司
- (59) 成都花百里置業有限公司
- (60) 成都花港置業有限公司
- (61) 花千里投資(北京)有限公司
- (62) 深圳市花樣年房地產開發有限公司
- (63) 成都花千里置業有限公司
- (64) 河源市彩生活物業管理有限公司
- (65) 深圳市星彥行置業有限公司
- (66) 鐵嶺正南物業管理有限公司
- (67) 深圳市彩生活物業管理有限公司
- (68) 上海欣周物業管理有限公司
- (69) 深圳市匯港物業管理有限責任公司
- (70) 深圳市彩生活網絡服務有限公司
- (71) 深圳市開元同濟樓宇科技有限公司
- (72) 惠州市友鄰物業管理有限公司
- (73) 無錫市太湖花園物業管理有限責任公司
- (74) 無錫市明珠園藝有限責任公司
- (75) 陝西蓮塘物業服務有限公司
- (76) 深圳市花萬里商業管理有限公司
- (77) 深圳市花樣年文化旅遊管理有限公司
- (78) 深圳市花樣年養生養老管理有限公司
- (79) 深圳市花萬里酒店管理有限公司
- (80) 深圳市國正向前投資發展有限公司
- (81) 花萬里投資(北京)有限公司
- (82) 上海欣周逸浦物業管理有限公司
- (83) 秦皇島市宏添源物業服務有限公司

- (84) 深圳市前海花樣年金融服務有限公司
- (85) 深圳市騰興宏達投資發展有限公司
- (86) 深圳市越華創新科技工業城有限公司
- (87) 蘇州銀莊置地有限公司
- (88) 協和高爾夫(上海)有限公司
- (89) 北京花樣年房地產開發有限公司
- (90) 天津市花樣年房地產開發有限公司
- (91) 成都新達遠房地產開發有限公司
- (92) 成都花樣年置富房地產開發有限公司
- (93) 深圳市彩生活社區科技服務有限公司
- (94) 南京名城物業管理有限公司
- (95) 深圳市安彩華能源投資有限公司
- (96) 陝西彩生活物業管理有限公司
- (97) 南京錦江物業管理有限公司
- (98) 南京市慧韜物業管理服務有限公司
- (99) 深圳市前海彩之雲網絡科技有限公司
- (100) 深圳市前海彩付寶網絡技術有限公司
- (101) 深圳市玉石房地產開發有限公司
- (102) 深圳市生百景投資發展有限公司
- (103) 深圳市花樣祥投資發展有限公司
- (104) 深圳安博電子有限公司
- (105) 深圳市花樣年文辰股權投資基金管理有限公司
- (106) 深圳市七二唐俱樂部管理有限公司
- (107) 深圳市中稷玉石房地產開發有限公司
- (108) 深圳市金地盈投資有限公司
- (109) 句容多彩農業生態園發展有限公司
- (110) 成都合盈融資租賃有限公司
- (111) 深圳市合和年投資諮詢有限公司
- (112) 桂林市合和年小額貸款有限責任公司
- (113) 上海花樣年房地產開發有限公司
- (114) 深圳市永利鴻盈投資有限公司
- (115) 惠州TCL房地產開發有限公司
- (116) 廣東(惠州)TCL工業文化創意園發展有限公司
- (117) 惠州市TCL鴻融置業有限公司
- (118) 武漢TCL置地投資有限公司
- (119) 武漢TCL房地產有限公司
- (120) 惠州市鴻邁園林綠化有限公司
- (121) 武漢TCL康城房地產有限公司
- (122) 杭州高盛物業管理有限公司
- (123) 深圳市花樣年旅遊景區管理有限公司
- (124) 深圳市花樣年餐飲策劃管理有限公司
- (125) 成都市福泰年企業管理有限公司
- (126) 深圳市花樣年工程建設諮詢有限公司
- (127) 深圳市藝之年文化藝術發展有限公司
- (128) 深圳市前海合盈融資租賃有限公司
- (129) 上海錦年酒店管理有限公司
- (130) 深圳市搭一程移動科技有限公司
- (131) 深圳市牛田機電設備工程有限公司
- (132) 深圳市藝彩空間裝飾設計工程有限公司
- (133) 深圳市花樣年喜年一號投資中心(有限合夥)
- (134) 南京花樣城房地產開發有限公司
- (135) 深圳市合保盈商業保理有限公司
- (136) 深圳市花樣年教育投資有限公司
- (137) 深圳市花樣年教育諮詢有限公司
- (138) 廣州市花樣年房地產有限公司
- (139) 廣州市花百里置業有限公司
- (140) 深圳市飛高至卓實業有限公司
- (141) 宜昌坤達物業有限公司
- (142) 南京安居物業有限公司
- (143) 深圳市彩之雲網絡科技有限公司
- (144) 南昌居安物業管理有限公司
- (145) 河南華璟物業服務有限公司
- (146) 湖北楓林物業服務有限公司
- (147) 上海銀順物業管理有限公司
- (148) 銀川都市佳物業服務有限公司
- (149) 九江天宏物業服務有限公司
- (150) 哈爾濱彩管家物業管理有限公司
- (151) 佛山市南海鉅隆物業管理有限公司
- (152) 江蘇城置物業服務有限公司

BUSINESS

Overview

We are a leading property developer and property related service provider in China. For six consecutive years from 2009 to 2014, we have members of our Group ranked among the China Top 100 Real Estate Developers (中國房地產百強企業) and the China Top 100 Property Management Companies (中國物業服務百強企業) by the China Real Estate Top 10 Research Team (中國房地產Top 10研究組). We were also ranked among the China Real Estate Top 100 Listed Companies (中國房地產上市公司百強) in 2011 and the Top 50 China Real Estate Listed Companies in terms of Comprehensive Strength (中國房地產上市公司綜合實力五十強) in 2012 and 2014 by the China Real Estate Research Institute, China Real Estate Association and China Real Estate Assessment Center. In 2014, we were granted the title of the “Innovative Enterprise in China Real Estate Community Service Model” (中國房地產社區服務模式創新企業) in the first Annual Meeting of Community Responsibility in China Real Estate (中國房地產社區責任年會) cum the sixth Annual Meeting of the New Trends in China Property (中國地產新趨勢年會), jointly held by institutions including China Foundation for Poverty Alleviation (中國扶貧基金會) and China Real Estate Chamber of Commerce (全聯房地產商會) and were selected as the “Enterprise with Highest Brand Value in Shenzhen Real Estate” (深圳房地產最具品牌價值企業) by Shenzhen Real Estate Association (深圳市房地產業協會). We first commenced our property development business in Shenzhen in 1996. Leveraging our broad experience and capabilities, we have successfully expanded into, and currently focus our real estate activities in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region, four of the fastest-growing economic regions in China, and have recently expanded into and plan to also focus on Central China.

Our target customers are affluent middle- to upper-class individuals and families and fast growing small- to medium-sized enterprises. We envisage that the demand for properties designed for these customers will increase as such customers’ household income and purchasing power continue to rise. To cater to the diverse needs of our target customers, we have developed a portfolio of property development projects with a focus on the following:

- *Urban Complexes*

Our urban complexes are mostly located in the peripheral areas of existing central business districts in major cities such as Shenzhen and Chengdu or in the emerging new business districts designated under city development plans of local governments. These complexes integrate various types of properties, such as offices, apartments, retail shops and/or boutique hotels, into a single property development project.

- *Boutique Upscale Residences*

Our boutique upscale residences are located in urban and suburban areas with natural scenic surroundings or cultural landmarks. They are connected by roads or expressways to the centers of major metropolitan areas. These boutique upscale residences include high- and low-rise apartment buildings, townhouses and stand-alone houses and cater to the residential and investment needs of our high-end consumers. We typically develop our boutique upscale residential projects in several phases so that we can manage our capital resources more efficiently and increase the average selling price as the project becomes more developed and attractive to our customers.

As of December 31, 2014, our portfolio of land bank consisted of approximately 36% of boutique upscale residences, 23% of urban complexes and 41% of mid-to-high end residences in terms of GFA. We plan to continue to focus our property development activities on developing a portfolio of products that caters to our target customers across some of China’s most economically prosperous regions. We plan to achieve this objective by continuing to selectively acquire low-cost land in the regions. We conduct comprehensive and in-depth market research and analysis on the land that we intend to acquire and the surrounding areas. We consider the geographic as well as marketing factors when evaluating a target parcel, including development potentials, size and suitability of the land for developments that can fit

into our existing portfolio, convenience and availability of infrastructure support, purchasing power of our potential customers in relevant areas, development costs and the estimated return on investment. We budget for the cost of land acquisition as well as the overall development costs, which are subject to strict internal procedures and are closely monitored and adjusted throughout the construction process. Acquisition proposal is reviewed and approved by the relevant personnel of our Group, including our chief executive officer and our board of directors. We usually acquire land using our own capital within a pre-set budget and arrange project loans with banks in China at a later stage to support the subsequent development of the property.

In addition to our property development business, we also provide property operation services, property agency services and hotel services to our own properties and properties of third parties. In February 2011, we disposed of our entire 85% equity interests in Shenzhen Xingyan Property Consultancy Company Limited (深圳市星彥地產顧問有限公司), our subsidiary engaged in the provision of property agency services, to concentrate on our main business, but we still maintain secondary property brokerage services as a value-added service in the property operation services business. We believe our property related services enable us to strengthen our property development capabilities. For example, our property operation services enhance the value of our properties. In June 2014, Colour Life, one of our subsidiaries focusing on our community services business, was listed on the Hong Kong Stock Exchange as part of our dual funding platforms strategy, which we believe enhanced our capital utilization efficiency and our ability to capitalize on our brand. We plan to continue to enhance such real estate services that we offer and to further enhance the intrinsic synergies between our real estate products and services. We will in particular focus on enhancing our property operation services and hotel services which we believe will serve as relatively stable and growing revenue sources to our Group on one hand, and will continue to increase the attractiveness and the average selling price of the properties developed by us on the other.

We have received numerous accolades for our property development and services capabilities. For example, our subsidiary, Fantasia (Chengdu) Development Co., Ltd. was awarded one of the real estate industry's highest honorary award "Golden Tripod"—2009 outstanding development Business Awards ("金鼎獎"—2009年度優秀開發企業獎) jointly issued by Chengdu Municipal Government (成都市政府) and the Chengdu Real Estate Bureau (成都房地產管理局) in 2010. Another subsidiary, Shenzhen Color Life Services Group Company Limited, was awarded "Top 10 Growth Enterprises in Top 100 Property Services Companies in China" (年度中國物業服務百強企業成長性TOP 10) since 2012, "China Top 100 Property Services Companies" (中國物業服務百強企業) for six consecutive years since 2009 by China Real Estate Top 10 Research Team (中國房地產TOP 10研究組) "Leading Enterprise of Satisfaction in Top 100 Property Services Companies in China" (中國物業服務百強滿意度領先企業), "Top Property Management in Gross Area of Residential Properties" (物業管理居住物業面積總面積全國第一) and "Leading Enterprise of Brand in Property Services in China" (中國物業服務領先品牌企業) in 2014. Shenzhen Color Life Services Group Company Limited was also awarded "2012 China Property Services Enterprise of Brand Excellence" (2012中國物業服務優秀品牌企業) in August 2012 and "The Largest Community Service Operator" (中國最大社區服務運營商) in July 2013, both of which were granted by China Index Research Institute. We were also awarded "2012 China Best Commercial Real Estate Brand" (2012中國最佳商業地產品牌) by Organizing Committee of Boao Real Estate Forum (博鰲房地產論壇委員會) in August 2012, was listed on both "List of Top 100 Outstanding Real Estate Enterprises in China" in 2012 and 2013 (2012和2013年度中國房地產卓越100榜) and "List of China's Outstanding Real Estate Management and Real Estate Teams in China" in 2012 and 2013 (2012和2013年度中國房地產管理與團隊卓越榜) by guandian.cn (觀點地產新媒體), and was awarded the "Listed Company with the Best Investment Value 2013" (2013年度最具投資價值上市公司大獎) by Boao • 21st Century Real Estate Forum (博鰲 • 21世紀房地產論壇) in July 2013. Our property development projects have also won numerous awards and recognitions for their design and quality. For example, our project Guilin Fantasia Town (桂林花樣城) was awarded "Real Estate with the Most Potential in Value in 2011" (2011年最具價值潛力樓盤) by the Fourth Session of Guilin Spring Brand Real Estate Fair (桂林第四屆春季品牌房地產交易會) in 2011. Nanjing Yuhuatai Project (南京花生唐) was awarded "The Best Commercial Real Estate in Nanjing, China for 2012" (2012中國(南京)最佳商業地產) by Yangtse Evening News (《揚子晚報》) in January 2013 and "Real Estate with the Most Investment Potential for 2013" (2013年最具投資價值樓盤) by House.QQ.com (騰訊房產) in January 2013. Both of our projects Chengdu Future Plaza (成都香年廣場) and Chengdu Longnian International Centre (成都龍年國際中心) were awarded "Masterpiece of Commercial Real Estate in Chengdu Real Estate Market" (2012成都樓市商業地產傑作) by Real Estate

Market Overall List in Chengdu, China 2012 (2012中國(成都)樓市總評榜) in March 2013. Fantasia Funian Plaza (花樣年•福年廣場) passed the Excellence Assessment and was selected as the outstanding project of property management in Shenzhen Futian District and Fantasia Future Plaza (花樣年•香年廣場) passed the expert assessment of the Model Property Management of Chengdu City, and was selected as the excellent project of property management in Chengdu Gaoxin District in 2014. Rhombus Fantasia Chengdu Hotel (花樣年•隆堡成都酒店) was awarded the “Best Business and Resort Hotel 2013-2014” (2013-2014年度最佳商務度假酒店) jointly by China City Travel and International Channel Shanghai. Chengdu Meinian Plaza (Phase 1.1 and Phase 1.3) (成都美年廣場1.1和1.3期) was awarded the first prize of “the Sixteenth Evaluation of Shenzhen’s Outstanding Engineering Exploration and Design (Residential Buildings)” (深圳市第十六屆優秀工程勘察設計評審(住宅建築)一等獎) in 2014.

As of December 31, 2014, we had a total of 74 projects at various stages of development (including completed projects, projects under development and projects held for future development), including 15 projects located in the Chengdu-Chongqing Economic Zone, 31 projects located in the Pearl River Delta region, 13 projects located in the Yangtze River Delta region, ten projects located in the Beijing-Tianjin metropolitan region, four projects located in Central China and one project located overseas in Singapore.

As of December 31, 2014, we had a total land bank of approximately 14,553,798 square meters, which consists of:

- an aggregate planned GFA of approximately 8,924,423 square meters of properties for which we had fully paid the land premium and obtained land use rights (consisting of an aggregate planned GFA of approximately 4,562,092 square meters of properties under development and an aggregate planned GFA of approximately 4,362,331 square meters of properties held for future development for which we have obtained land use rights); and
- an aggregate planned GFA of approximately 5,629,375 square meters of properties for which we had entered into preliminary framework agreements but had not obtained the land use rights or property rights.

Of our total land bank as of December 31, 2014, approximately 5,905,462 square meters, or 40.6%, were located in the Chengdu-Chongqing Economic Zone; approximately 5,414,424 square meters, or 37.2%, were located in the Pearl River Delta region; approximately 1,670,745 square meters, or 11.5%, were located in the Yangtze River Delta region; approximately 933,327 square meters, or 6.4%, were located in the Beijing-Tianjin metropolitan region approximately 606,936 square meters, or 4.2%, were located in Central China; and approximately 22,904 square meters, or 0.2% were located overseas in Singapore. We develop most of our properties, including properties that are currently under development, for sale but will hold certain of these developed properties for investment and hotel management purposes.

For the years ended December 31, 2012, 2013 and 2014, our revenue was RMB6,230.1 million, RMB7,279.8 million and RMB7,306.0 million (US\$1,177.5 million), respectively. Our revenue for the years ended December 31, 2012, 2013 and 2014 consisted of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services, and (v) the provision of hotel management and related services. The following table sets forth our revenue for each of the components described above and the percentage of total revenue represented for the periods indicated

with the fluctuations of the percentage due primarily to the different product mix delivered to customers in respective period:

	For the year ended December 31,						
	2012		2013		2014		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US\$)	(%)
	(unaudited)						
	(in thousands, except percentages)						
Property development	5,885,314	94.5	6,733,340	92.5	6,535,319	1,053,302	89.5
Property investment	90,266	1.4	128,673	1.8	136,462	21,994	1.9
Property agency services	14,470	0.2	12,683	0.2	18,653	3,006	0.3
Property operation services	184,683	3.0	314,764	4.3	504,243	81,269	6.9
Hotel services	55,317	0.9	90,368	1.2	111,273	17,934	1.5
Total	<u>6,230,050</u>	<u>100.0</u>	<u>7,279,828</u>	<u>100.0</u>	<u>7,305,950</u>	<u>1,177,505</u>	<u>100.0</u>

Recent Developments

Land Acquisition

Subsequent to December 31, 2014, we did not entered into any framework agreements or formal agreements in relation to acquisition of parcels of land.

Acquisition of Kaiyuan International

Shenzhen Colour, an indirect wholly owned subsidiary of Colour Life, acquired a 100% equity interest of Kaiyuan International from its shareholders for a consideration of RMB330.0 million (US\$48.4 million). Kaiyuan International was principally engaged in property management business and provided property management services to more than 130 property development projects in the PRC. We have designated our subsidiaries within the Colour Life Group as unrestricted subsidiaries in accordance with the indentures governing the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes, and will designate them as unrestricted subsidiaries in accordance with the Indenture.

Our Competitive Strengths

Property development portfolio strategically located across some of China's most economically prosperous regions

We focus our business activities across some of the most economically prosperous and vibrant regions in China, namely, the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China. Each of the regions has experienced relatively strong growth over the past few years. As of December 31, 2014, our planned GFA under development and held for future development in each of the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China was approximately 1,270,667 square meters, 1,651,668 square meters, 510,614 square meters, 667,189 square meters and 262,193 square meters, respectively. We have already established a strong market position in certain of our targeted regions, such as in the Chengdu-Chongqing Economic Zone and the Pearl River Delta region, and several of our developments in those regions received various awards. During 2012, 2013 and 2014, we completed a total of three, three and four projects or phases of projects with an aggregate GFA of approximately 438,004, 308,549 and 403,663 square meters, respectively, in Chengdu, and a total of one, one and two projects or phases of projects with an aggregate GFA of approximately 61,156, 34,430 and 90,479 square meters, respectively, in Shenzhen. We believe that a significant portion of our target customers operate and reside in these regions, and our location and presence in these regions have enabled us to capture the growing demand of our target customers.

Ability to acquire land at low cost

In 2014, our average unit land cost based on GFA was approximately 21.4% of our average unit selling price. We focus on developing urban complexes in the peripheral areas of existing central business districts or emerging new business districts and boutique upscale residences in the urban and suburban areas. As a result, we have a wide range of choices when selecting land sites for our property developments than other property developers who focus on developing properties in existing central business districts or well-established residential areas in major cities. We believe our wide range of choices of land sites allows us to avoid intense competition in the land acquisition process and thereby reduces our average land acquisition costs. In addition, we believe our ability to acquire land at low cost is also attributable to our flexible property development capabilities that have enabled us to develop a wide variety of land and properties. We believe our operating flexibility as to the size and location of the land that we can develop enables us to take the opportunity presented to us to acquire land at low cost. We conduct research and analysis and try to identify the future growth potential of a land site for our property development before our competitors start doing the same so as to avoid price competition. Such approach to land selection and evaluation has also contributed to our ability to acquire land at relatively low cost. We believe our ability to acquire high quality land at a relatively low cost allows us to use our working capital more efficiently, maintain a healthy profit margin and respond more effectively to changing market conditions.

Strong business model with track record of success

We have a strong property development capability to develop a wide range of properties in different regions. We target affluent middle- to upper- class individuals and families and fast-growing small- to medium-sized enterprises. We focus our development capabilities on urban complexes and boutique upscale residences to meet the demand of our target customers. We have replicated our success in various markets in China while continuing to quickly and effectively develop a diverse range of high-quality properties to satisfy the requirements of our target customers in various markets in China. For example, we have successfully developed urban complexes such as Chengdu MIC Plaza (formerly known as Chengdu Meinian International Plaza, 成都美年國際廣場) and Tianjin Future Plaza (天津香年廣場), and boutique upscale residences such as Guilin Lakeside Eden (麓湖國際社區), Suzhou Lago Paradise (蘇州太湖天城) and Dongguan Mont Conquerant (東莞君山), some of which are award-winning properties. We believe our capabilities to develop quality products provide us with significant leverage for our future business growth.

Well-known brand name

We believe we have established a strong brand name in the property market in China. We have focused our property development efforts on developing a portfolio of properties as well as providing real estate services that cater to the diverse needs of our targeted customers. We believe these efforts have allowed us to achieve a strong track record in the sale of our properties. We have also focused on developing properties with a distinctive design or with features that can help to raise our company profile. We have worked closely with leading domestic and international architecture and design firms to achieve such goal. As a result, we have received numerous accolades for our property development and service capabilities, as well as for the design of our properties, and have achieved a strong market position in certain of our targeted regions. We believe our customers associate our brand image with high-quality and customer-oriented real estate products and services, as well as the modern and trend-setting design of our properties.

We have also established an annual program named “Happiness Discovery Trip (發現幸福之旅) (“Happiness Discovery Trip”). Happiness Discovery Trip is a large scale community art activity organized by the Company since 2006, which explores the meaning of “Happiness” within the contemporary Chinese society through artistic creation and exchanges of ideas with the collaboration of a young artist each year. We believe such an effort attaches an artistic and cultural image to our brand and our properties in the mind of our target customers, distinguishing us from our competitors.

Strong value-accretion property development and service capabilities

We believe that our urban complex developments help to foster increased property development activities by others and increased government investment in public infrastructure and services in

surrounding neighborhoods and thus facilitate the formation of new urban centers, which in turn increases the value of our developments. We also provide real estate services that consist of property operation services and property agency services. We believe our property operation services enhance the value and attractiveness of our properties, thereby allowing us to increase average selling and rental prices. Our property agency services business allows us to better understand the market place so we can adjust our marketing and pricing strategies to achieve an optimum pricing for our properties. We believe our real estate services provide us with benefits that cannot be easily replicated by other property developers in China that are not also engaged in the property agency services business, which positions us well in the competitive real estate market in China.

Experienced and stable management team with proven track record supported by seasoned professional employees

The significant growth of our business since our inception is in large part due to our experienced and stable management team. Mr. Pan, our chairman and chief executive officer, and Ms. Zeng, our executive director, each has over 18 years of experience in real estate development in China, and, along with other members of our senior management team and employees, have established strong relationships with key industry participants. We have been able to capitalize on the collective expertise of our management and other professional employees so that we can develop and sell properties that appeal to our targeted customers at various locations. We believe that we have benefited, and will continue to benefit, from our management's extensive experience and knowledge of the PRC property market.

Business Strategies

Continue to expand in fast-growing economic regions in China and selectively acquire low-cost land

We plan to continue to concentrate the growth of our business in some of the economically prosperous regions in China in which we currently operate. We believe each of the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China continues to provide attractive opportunities for property development. We intend to procure more low-cost land in each of these regions by adhering to our disciplined approach. Under such approach, a decision to make a land acquisition is made only after comprehensive in-depth market research and analysis and the completion of strict internal review procedures.

We believe that our property agency services business allows us to better understand the property market in China, to tailor our product offerings that appeal to our targeted customers and to adjust our marketing and pricing strategies to achieve optimum pricing for our properties, an advantage that cannot be easily replicated by property developers that are not also engaged in property agency services business. Going forward, we intend to continue to capitalize on our extensive experience and market knowledge gained from our property agency services business to selectively identify and acquire land for development.

Focus on further improving the intrinsic synergies of our real estate products and value-added services

We intend to focus on realizing increased synergies among our businesses, a crucial part to our Group's overall success. We intend to continue concentrating on developing urban complexes and boutique upscale residences. We believe our focus on these two types of property development projects allows us to better and more efficiently use our resources to address our target customers' needs and develop long-term business relationships. Our development focus also serves to increase the synergies that can be achieved among each aspect of our businesses. We plan to continue to expand our investment property portfolio by including boutique hotels in the properties that we develop, thereby increasing our recurring income as well as increasing the real estate solutions that we provide to customers. We have also established subsidiaries dedicated to providing hotel services, which we believe also helps to enhance the capabilities of our property operation services provided to more traditional properties, as well as to our urban complexes. We plan to continue to enhance cooperation among our businesses. For

example, leveraging on our experience and expertise from our property development business, we have expanded into and plan to continue to expand hotel services and property community services and other value-added property businesses including community finance, business management, cultural tourism, retirement life services and education. In June 2014, Colour Life, one of our subsidiaries dedicated to provide our community services, listed on the Hong Kong Stock Exchange through an initial public offering, which we believe enhanced our capital utilization efficiency and ability to capitalize on our brand. We continue to evaluate our business model and strive to optimize our business portfolio, and may further restructure certain businesses that are related, ancillary or complementary to our property development business including, among others, our commercial property management, hotel management, financial leasing, community P2P financial business, retirement life services and educational consultancy businesses through an initial public offering of the shares of a subsidiary engaged in such businesses, depending on market conditions. As of the date of this offering memorandum, there is no definite timetable or execution plan with respect to such restructuring, and such restructuring may or may not materialize. We expect that our efforts should allow us to increase the breadth and stability of our revenue streams, reduce our overall exposure to volatility within and reliance on one sector of the real estate property industry and create cross-selling opportunities.

Continue to improve our property operation service and hotel service capabilities to further increase the attractiveness and value of our properties

Our property operation services are an important part of our business and serve a critical role in enhancing the value and environment of our developments, which in turn increases the rental income and the average selling price of our properties. In early 2011, we commenced to reorganize our property operation services business and since then, have been providing property operation services through our subsidiary Colour Life and its subsidiaries. We have designated “Colour Life” as our brand for middle-to-high end property management and property community services. We intend to continue to strengthen our property operation services and strive to offer the highest level of services to tenants and residents and to achieve customer satisfaction.

We started our hotel service business in 2008 by establishing our own hotel management companies. We have entered into agreements with third party international professionals to operate and manage one of our boutique hotels under development. We believe such agreements will allow us to be exposed to the inner workings of operating and managing a boutique hotel and refine the level of hotel services that we provide. In addition, we believe as our hotel services continue to strengthen, the capabilities of our property operation services will also be enhanced as well. Our goal is to establish high quality and distinctive hotel services and further improve our property operation services. We intend to continue to improve the internet information platform of our property operation services to offer additional value-added services such as online payment options, customized online services for ordering goods and services and accessing real estate market information or brokerage listings. Furthermore, we intend to actively work to expand GFA under management, as well as enhance the capabilities of our building and equipment installation, maintenance and repair services. Finally, we seek to continue to improve the membership program we offer for purchasers of our properties, the Fantasia Club, by providing greater support for and better communication with our purchasers. Continuing to enhance the quality and offering of our property operation services will also serve us well in strengthening our relationships with our key clients and increasing potential referrals among our target customers.

Continue to promote our brand names

We place significant emphasis on developing our brand image and will continue to introduce real estate products and service offerings that will enhance our profile, reputation and image. We have worked closely with leading domestic and international architecture and design firms, such as Shenzhen Cube Architecture Design Office, China Southwest Architectural Design and Research Institute Corp. Ltd., AECOM, Earth Asia Design Group (Shanghai) Co., Ltd., RTKL Associates Inc., Kengo Kuma and Associates, Kenneth Ko Designs Ltd., Steve Leung Designers Ltd., PAL Design Consultants Ltd. and Woods Bagot Asia Limited in creating products that reflect the spirit and essence of our vision and assimilate the latest trends and elements, and will continue to do so in the future.

We intend to continue to employ strict quality control standards and to closely monitor the product quality and the workmanship of our contractors throughout the development process. We also plan to

continue to actively participate in the selection of the materials used in our projects in order to achieve desired quality levels and to maintain a cohesive brand image for our properties. In addition, we intend to continue to rigorously monitor and protect our trademarks that we consider essential to our brand image. We will also continue our annual program, Happiness Discovery Trip, to further foster customer awareness as to the artistic and cultural aspects of our brand image. We believe by cultivating a distinctive brand image, we will be able to further enhance our ability to attract our target customers and reinforce such customers' perception of the quality, distinctiveness and comprehensiveness of our products and services.

Our Property Development Projects

Overview

As of December 31, 2014, we had 74 property development projects at various stages of development. Based on the stage of development, we divide our property development projects into three categories:

- completed projects, comprising properties for which we have received the requisite completion inspection report from the relevant government construction authority;
- projects under development, comprising properties for which we have obtained the requisite construction works commencement permits but are yet to receive the requisite completion inspection report; and
- projects held for future development, comprising properties for which we have obtained the relevant land use rights certificates and started preliminary design work but have not yet received the required construction works commencement permits, as well as properties for which we have not obtained the land use rights certificates but have entered into contractual agreements to obtain the relevant land use rights certificates and started preliminary design work.

For development projects that are comprised of multiple-phase developments on a rolling basis, each phase is considered individually and classified as completed, under development or for future development, depending on whether the relevant completed construction work certified report or the required construction works commencement permit has been obtained for such phase.

We calculate the site area of our projects or phases as follows:

- for projects or phases for which we have obtained land use rights, based on the relevant land use rights certificates, and
- for projects or phases for which we have not obtained land use rights, based on the relevant contractual agreements.

We calculate the total GFA of our projects or phases as follows:

- for projects or phases that are completed, based upon relevant property surveying reports;
- for projects or phases that are not completed but for which pre-sale has commenced, based upon relevant inspection reports required for pre-sale;
- for projects or phases that are under development and for which we have not obtained relevant inspection reports but have obtained the relevant construction works planning permits, based on such construction works planning permits; and
- for projects or phases for which we have not received the relevant construction works planning permits, based on the total GFA indicated in property master plans approved by relevant government authorities or based on our internal records and development plans, which may be subject to change.

We calculate the site area and the total GFA for each phase in a project based on our own internal records and estimates except in circumstances where such information for a particular phase is contained in the relevant land use rights certificate, construction works planning permit, or completion inspection report.

Total GFA as used in this offering memorandum is comprised of saleable GFA and non-saleable GFA. Saleable GFA as used in this offering memorandum refers to the internal floor areas exclusive of non-saleable GFA. Non-saleable GFA as used in this offering memorandum refers to certain communal facilities and ancillary facilities, such as certain underground GFA and spaces for local community management committees and public security offices. Saleable GFA is divided into saleable GFA sold or pre-sold and saleable GFA unsold. A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. The property is delivered to the customer upon the property being completed, inspected and accepted as qualified. Properties are pre-sold when we have executed the purchase contract but have not yet delivered the properties to the customer. Saleable GFA unsold is further divided into GFA unsold and held for sale and GFA unsold and held for investment.

We calculate the saleable GFA for our projects or phases as follows:

- for projects or phases that are completed, based on the saleable GFA as determined upon relevant property surveying reports;
- for projects or phases that have not received the completion inspection report upon completion but have obtained the relevant inspection reports required for pre-sale, based on the saleable GFA in such relevant inspection reports;
- for projects or phases that have not received the relevant inspection reports required for pre-sale but have received relevant construction works planning permits, based on the construction works planning permits; and
- for projects or phases that have not received relevant construction works planning permits, based on the total GFA indicated in property master plans approved by relevant government authorities or based on our internal records and development plans, which may be subject to change.

Furthermore, the following information that appears in this offering memorandum is also based on our internal records and estimates: (i) saleable GFA sold or pre-sold, saleable GFA unsold, saleable GFA unsold and held for sale, saleable GFA unsold and held for investment, and (ii) information regarding expected completion and pre-sale commencement date and number of residential units, office space, commercial units and car parking spaces.

During the three-year period ended December 31, 2014, we did not terminate or void any purchase contracts due to delay in delivering properties to our customers based on the time frame set forth in the respective contracts. In addition, development costs for each of our projects were within their respective budgets during such period.

The following table sets forth information as to the site area and the GFA in square meters for each of our property development projects or its respective phases and its completion date or expected completion as of dates indicated:

Projects/Phases	As of December 31, 2014										Actual or Expected Pre-sale Commencement Date	Actual or Expected Completion Date	Types of Properties ⁽¹⁾
	Total Saleable GFA Unsold					Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Actual or Expected Completion Date			
	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA Pre-sold								
Completed Projects/Phases													
Shenzhen:													
Shenzhen Xingmian Plaza 深圳興年廣場	11,209	-	-	40,222	-	40,222	48%	August 2013	April 2014	July 2014		C	
Shenzhen Longqi Bay 深圳龍岐灣	4,000	24,871	-	-	-	24,871	100%	September 2012	September 2014	August 2014		T	
Dongguan:													
Phase 3.2 of Dongguan Wonderland 東莞江山花園3.2期	33,645	421	-	84,624	-	85,045	100%	February 2012	May 2014	December 2012		R, C	
Huizhou:													
Phase 3 of Huizhou Fantasia Special Town 惠州別樣城3期	31,179	5,590	-	107,593	-	113,183	100%	August 2013	March 2014	November 2012		R, C	
Phase 5 of Huizhou Fantasia Special Town 惠州別樣城5期	35,509	3,145	-	116,608	-	119,753	100%	March 2013	December 2014	August 2013		R, C	
Phase 2 of Huizhou Love Forever 惠州花郡2期	14,131	1,710	-	37,857	-	39,567	100%	September 2012	September 2014	June 2013		R, C	

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold				Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ^(b)		
	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold						Total Saleable GFA Pre-sold	Total GFA
Guilin:											
Phase 1.3 of Guilin Fantasia Town 桂林花漾城1.3期	32,255	7,398	-	89,368	-	96,766	100%	May 2011	May 2014	July 2012	R, C
Phase 2 of Guilin Fantasia Town 桂林花漾城2期	55,233	13,520	-	152,181	-	165,701	100%	March 2013	August 2015	October 2013	R, C
A1 District, North Coast of Guilin Lakeside Eden 桂林麓湖國際北岸A1區	46,681	483	-	24,333	-	24,816	100%	April 2012	June 2014	May 2012	R, C
C1 District, North Coast of Guilin Lakeside Eden 桂林麓湖國際北岸C1區	19,039	28,949	-	28,169	-	57,118	100%	March 2013	December 2014	June 2013	R, C
Four Points by Sheraton at Guilin Fantasia Town 桂林花漾城福朋酒店	9,549	-	28,647	-	-	28,647	100%	N/A	N/A	N/A	R, C
Suzhou:											
Phase 1 of Suzhou Fantasia Special Town (Land Plot No.8) 蘇州別樣城1期(8#地)	66,452	1,277	-	121,165	-	122,442	100%	June 2013	December 2014	August 2013	R
Wuxi:											
Phase 2 of Wuxi Love Forever 無錫花郡2期	11,484	11,124	-	44,723	-	55,847	100%	August 2011	February 2015	October 2011	R, C

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold				Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ⁽¹⁾		
	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold							
Chengdu:											
Phase 2.2.1 of Chengdu Grande Valley 成都大溪谷2.2.1期	12,807.33	337	-	6,579	-	6,916	100%	November 2012	March 2014	November 2012	R
Phase 2.2.2 of Chengdu Grande Valley 成都大溪谷2.2.2期	48,148.15	3,472	-	22,528	-	26,000	100%	April 2013	December 2014	April 2013	R
Phase 1.1 of Chengdu Longnian International Centre (Land Plot No.1-7) 成都龍年國際中心1.1期(1-7#)	61,995	72,809	52,626	58,930	-	125,435	100%	March 2014	December 2014	November 2012	R, C
Phase 4.2 of Chengdu Fantasia Town 成都花樣城4.2期	28,253	-	-	80,412	-	80,412	-	July 2011	June 2014	October 2011	R
Tianjin:											
Phase 1.2 of Tianjin Love Forever 天津花郡1.2期	18,007	-	-	24,271	-	24,271	100%	January 2013	September 2014	January 2013	R
Phase 1.3 of Tianjin Lover Forever 天津花郡1.3期	39,154	10,116	-	48,614	-	58,730	100%	January 2014	December 2013	August 2013	R
Subtotal:		185,222	81,273	1,029,248	-	1,295,743					

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold				Total Saleable GFA Pre-sold	Total GFA	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ⁽¹⁾
	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold							
Project/Phases Under Development											
Shenzhen:											
Longnian Building 龍年大廈	4,992	8,112	-	20,845	-	28,957	64%	December 2013	November 2015	October 2014	R, C
Phase 2 of Able 安博2期	30,000	-	15,339	-	49,770	65,109	61%	July 2014	June 2016	September 2016	O
Lenian Plaza 樂年廣場(華創)	43,236	-	41,344	-	45,000	86,344	48%	October 2014	December 2016	June 2017	O, P
Nanshan District Project 南山區項目	17,990	-	-	-	39,587	39,587	100%	October 2014	December 2018	October 2017	O, C, F
Huizhou:											
Phase 4 of Fantasia Special Town 別樣城4期	34,626	71,305	-	58,411	-	129,716	100%	December 2013	January 2016	June 2014	R, C
Phase 1 of Kangchengsiji Land Plot No.8 康城四季1期8#	8,164	20,647	-	11,918	-	32,565	100%	July 2014	April 2016	December 2014	R, C
Phase 2 of Kangchengsiji 康城四季2期	25,221	11,657	-	46,746	17,262	75,664	100%	September 2014	September 2015 (Block No. 9-12) April 2016 (Block No. 16) March 2018 (Block No. 15)**	September 2014	R, C
Building 1-2# of Phase 1 of Huizhou TCL Kangchengsiji 惠州TCL康城四季1期1-2#樓	10,349	-	-	-	31,048	31,048	100%	October 2014	November 2016	June 2015	R, C

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold				Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ⁽¹⁾	
	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold						Total Saleable GFA Pre-sold
Dongguan:										
Wonderland (Commercial) Land Plot No.1 江山花園商業1#	694	-	-	1,387	-	100%	February 2011	April 2015	February 2012	R, C
Dongguan Wonderland 江山薈	14,306	4,517	897	53	8,741	100%	August 2013	October 2015	December 2014	R, C
Guilin:										
Phase 3 of Guilin Fantasia Town 桂林花漾城3期	23,408	56,568	-	16,114	-	100%	March 2013	May 2016	August 2014	R, C
B District, North Coast of Guilin Lakeside Eden 桂林麓湖國際北岸B區	60,401	45,423	-	5,723	155,425	100%	November 2014	April 2016 (No. 1, 8) January 2017 (No. 2, 3) December 2018 (Others)	December 2014	R, C
Block C2 of Guilin Lakeside Eden Community 桂林麓湖國際社區C2區	26,333	33,226	-	4,086	56,569	100%	March 2013	March 2016 (No. 3) January 2017 (No. 5, 6)	January 2014	R, C
Block D of Guilin Lakeside Spring Dawn 桂林麓湖春曉D1區	32,677	38,653	-	56,646	-	100%	November 2013	November 2015 (Block No. 1, 3) January 2016 (Block No. 2, 5)	December 2013	R, C
Block E of Guilin Lakeside Spring Dawn 桂林麓湖春曉E區	17,352	53,601	-	2,588	33,610	100%	November 2013	October 2016 (No. 1, 2) December 2018 (No. 3)	December 2013	R, C

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold				Total Saleable GFA Pre-sold	Total GFA	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ⁽¹⁾
	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold							
Chengdu:											
Phase 2.2 of Chengdu Grande Valley 成都大溪谷2.2期	48,159	13,777	-	12,229	-	26,006	100%	September 2013	December 2015	March 2014	R
Phase 5 of Chengdu Fantasia Town 成都花樣城5期	73,394	68,710	-	213,924	-	282,634	100%	August 2013	December 2015	March 2014	R
Phase 2 of Chengdu MIC Plaza 成都美年國際廣場2期	86,375	161,971	176,715	86,186	-	424,872	100%	April 2012	September 2015	October 2012	U
Phase 1.2, 1.3 and 2.1 of Chengdu Longnian International Centre 成都龍年國際中心1.2期、1.3期及2.1期	56,769	63,957	26,478	94,216	-	184,652	100%	November 2012	June 2015	November 2012	U
Four Points by Sheraton of Chengdu Grande Valley 成都大溪谷福朋酒店	16,447	-	33,700	-	-	33,700	100%	March 2013	September 2015	N/A	H
Chengdu Grande Valley 12-1 成都大溪谷12-1	1,748	3,497	-	-	-	3,497	100%	September 2014	December 2016	December 2015	R
Chengdu Pi County Project 成都郫縣項目	40,380	-	-	-	129,814	129,814	100%	January 2013	December 2018	March 2017	R, C
Tianjin:											
Ancillaries of Phase 1.3 of Love Forever 花郡1.3期配套	1,786	-	2,679	-	-	2,679	100%	July 2014	September 2015	N/A	R
Phase 4.1 of Love Forever 花郡4.1期	28,929	37,629	-	5,765	-	43,394	100%	May 2014	September 2015	May 2014	R
Phase 1 of Huaxiang 花鄉1期	19,642	1,021	-	9,227	-	10,248	100%	June 2014	December 2015	June 2014	R
Meinian International Plaza 美年廣場	13,744	47,770	-	9,978	10,696	68,444	100%	September 2014	May 2016	October 2014	R

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold			Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ^(b)
	Site Area	Held for Sale	Held for Investment or for Hotel Management					
Suzhou:								
Phase 2 of Fantasia Special Town 別樣城2期	68,272	7,334	-	100%	May 2014	December 2015	May 2014	R, C
Suzhou Lago Paradise Land Plot No.4 天城4#地	56,474	17,507	-	100%	August 2012	December 2015	December 2013	R, C
Hailrun Plaza 喜年廣場	73,059	53,880	-	100%	May 2013	December 2016	October 2014	R, C
Nanjing:								
Phase 1 of Fantasia Town 花樣城1期	58,423	14,354	-	100%	September 2014	September 2016	September 2014	R
Phase 1 of Hailrun Plaza 喜年廣場1期	22,768	17,665	-	60%	December 2014	December 2017	December 2014	U
Wuxi:								
Phase 4 of Love Forever 花郡4期	99,801	15,646	-	100%	August 2011	December 2015	May 2013	R, C
Wuhan:								
Phase 1 and 2 of Love Forever 花郡1、2期	56,604	49,165	-	100%	October 2013	June 2015	April 2014	R
Phase 1 of Fantasia Town 花樣城1期	56,583	32,985	-	100%	April 2014	December 2015	November 2014	R
Beihai:								
Mangrove 紅樹林	40,442	70,389	-	100%	January 2012	December 2015	June 2013	R, C
Ningbo:								
Lower Forever 花郡	75,432	74,243	-	100%	July 2013	December 2015	October 2013	R
Singapore:								
6 Derbyshire 花郡	4,228	10,372	-	90%	September 2014	December 2016	November 2013	R, C
Subtotal:								
	1,105,581	297,152	-			812,088	3,437,103	

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold				Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ⁽¹⁾	
	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold						
New projects to be developed										
Shenzhen:										
Xinghua Industrial Project 興華工業項目	13,135	-	-	-	37,500	37,500	N/A	N/A	N/A	C, F
Huizhou:										
Remaining phases of Kangchengsiji 康城四季後期	162,579	-	-	-	456,689	456,689	N/A	N/A	N/A	R, C
Qiuchang Project 秋長項目	123,395	-	-	-	159,387	159,387	N/A	N/A	N/A	R
Suzhou:										
Remaining phases of Lago Paradise 太湖天城剩餘分期	143,509	-	-	-	73,229	73,229	N/A	N/A	N/A	R, C
Wuxi:										
Remaining phases of Wuxi Lover Forever 無錫花郡剩餘分期	12,121	-	-	-	19,420	19,420	N/A	N/A	N/A	C
Dongguan:										
Wonderland Kindergarten 江山幼兒園	4,500	-	-	-	4,271	4,271	N/A	N/A	N/A	C
Guilin:										
Remaining phases of Lakeside Eden 麓湖國際剩餘分期	311,478	-	-	-	993,821	993,821	N/A	N/A	N/A	R, C

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold				Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ⁽¹⁾
	Site Area	Held for Sale	Total Saleable GFA Sold	Total Saleable GFA Pre-sold					
Chengdu:									
Remaining phases of Belle Epoque 君山剩餘分期	355,582	-	-	265,812	100%	N/A	N/A	N/A	R, C
Remaining phases of Grande Valley 大溪谷剩餘分期	593,358	-	-	727,088	100%	N/A	N/A	N/A	R, C
Remaining phases of Chengdu MIC Plaza 美年國際廣場剩餘分期	4,336	-	-	23,903	100%	N/A	N/A	N/A	E
Remaining phases of Chengdu Longnian International Centre 成都龍年國際中心剩餘分期	93,619	-	-	253,864	100%	N/A	N/A	N/A	R, C
Beijing:									
Qingnian Road 青年路項目	17,138	-	-	140,000	100%	N/A	N/A	N/A	C, O, P
Tianjin:									
Remaining phases of Love Forever 花郡剩餘分期	41,725	-	-	98,150	100%	N/A	N/A	N/A	R
Remaining phases of Huaxiang 花鄉剩餘分期	160,990	-	-	260,700	100%	N/A	N/A	N/A	R
Yingcheng Lake Project 營城湖項目	100,000	-	-	168,339	100%	N/A	N/A	N/A	R, C, T
Nanjing:									
Fantasia Town 花樣城	102,714	-	-	297,852	100%	N/A	N/A	N/A	R, C
Hairun Plaza 喜年廣場	28,921	-	-	120,113	60%	N/A	N/A	N/A	C

As of December 31, 2014

Projects/Phases	Total Saleable GFA Unsold				Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties ⁽¹⁾
	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold					
Wuhan:									
Remaining phases of Love Forever 花郡剩餘分期	17,263	-	-	-	68,458	68,458	N/A	N/A	R
Fantasia Town Project 花樣城項目	41,287	-	-	-	193,735	193,735	N/A	N/A	R
Subtotal:						4,129,682			

Note:

(1) Types of properties include: (i) "R," which stands for "residential"; (ii) "C," which stands for "commercial"; (iii) "O," which stands for "office and others," including office, industrial and warehouse; (iv) "H," which stands for "hotel"; (v) "P," which stands for "car park" and "basement area"; (vi) "T," stands for "tourism"; (vii) "U," stands for "urban complex"; and (viii) "F," stands for "financial land."

The classification of properties in this offering memorandum is different from the classification of properties in the consolidated financial statements included in this offering memorandum.

Some of the information contained in the above table and the following descriptions of the individual projects and elsewhere in this offering memorandum may differ from our consolidated financial statements and the notes thereto included elsewhere in this offering memorandum because, among other things:

- properties that have been sold are not included in the consolidated statements of financial position and the notes thereto;
- saleable GFA unsold under our classification only include saleable GFA that have not been sold or pre-sold while “completed properties for sale” as used in our consolidated financial statements and the notes thereto, which is recorded under “properties for sale” on the consolidated statements of financial position, include properties that have not been contracted to be sold and properties pre-sold but have not been delivered to customers; and
- “properties for sale” and “investment properties” as recorded on our consolidated statements of financial position and the notes thereto include “completed properties for sale,” “properties under development,” “completed investment properties” and “investment properties under development” which include all properties that we classify as projects or phases under development whether we intend to hold such properties for sales or for investment after completion.

The table below sets forth our classification of properties and the corresponding classification of properties in our consolidated financial statements and the notes thereto contained in this offering memorandum:

<u>Types of Properties</u>	<u>Offering memorandum</u>	<u>Consolidated financial statements</u>
<ul style="list-style-type: none"> • Properties for which we have received the completed construction works certified report from the relevant government construction authorities 	<ul style="list-style-type: none"> • Completed projects 	<ul style="list-style-type: none"> • Completed properties for sale (excludes completed properties that have been sold)
<ul style="list-style-type: none"> • Properties for which we have obtained the required construction works commencement permits but are yet to receive the completed construction works certified report 	<ul style="list-style-type: none"> • Properties under development 	<ul style="list-style-type: none"> • Completed investment properties • Properties for sale – Under development • Investment properties under development
<ul style="list-style-type: none"> • Properties for which we have obtained the relevant land use rights certificates and started preliminary design work but have not yet received the required construction works commencement permits 	<ul style="list-style-type: none"> • Future development projects – land use rights obtained 	<ul style="list-style-type: none"> • Properties for sale – Under development • Investment properties under development
<ul style="list-style-type: none"> • Properties for which we have not obtained land use rights certificates but have entered into contractual agreements to obtain the relevant land use rights certificates and started preliminary design work 	<ul style="list-style-type: none"> • Future development projects – property rights to be acquired and potential new property development projects 	<ul style="list-style-type: none"> • Properties for sale – Under development • Investment properties under development

The following are detailed descriptions of each of our projects as of December 31, 2014, unless otherwise indicated. For certain of these projects, we share land use and development rights with other entities in a prescribed proportion according to the relevant agreements. The commencement date relating to each project or each phase of a project refers to the date on which construction commenced. The completion date set out in the descriptions of our completed projects or phases refers to the date on which the completed construction works certified report was obtained for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion date of a project or phase reflects our best estimate based on our current development plans.

Shenzhen

Shenzhen Xingnian Plaza (深圳興年廣場)

Shenzhen Xingnian Plaza (深圳興年廣場) is located in Shekou of Shenzhen. The project occupies a total site area of 11,209 square meters with a planned saleable GFA of 97,500 square meters. As of December 31, 2014, all planned saleable GFA was held for future development.

Shenzhen Nanshan District Project (深圳南山區項目)

Shenzhen Nanshan District Project (深圳南山區項目) is located in Nanshan district of Shenzhen. The project occupies a total site area of 17,990 square meters with a planned saleable GFA of 39,587 square meters. We commenced development of this project in October 2014. As of December 31, 2014, we had pre-sold all planned saleable GFA.

Dongguan

Dongguan Wonderland (東莞江山花園)

Dongguan Wonderland (東莞江山花園) is a boutique upscale complex located in Huangjiang Town, Dongguan, Guangdong Province. The project occupies an aggregate site area of approximately 96,863 square meters with a planned saleable GFA of approximately 227,357 square meters. We commenced development of phase 2 of this project in February 2011, phase 3 in April 2011 and phase 3.2 in February 2012. We completed construction of phase 2 in May 2013, phase 3 in December 2013 and phase 3.2 in May 2014. As of December 31, 2014, we held approximately 421 square meters of saleable GFA of phase 3.2 for sale.

Huizhou

Huizhou Fantasia Special Town (惠州別樣城)

Huizhou Fantasia Special Town (惠州別樣城) is located to the east of Huinan Road in Huiyang, Huizhou, Guangdong Province. It is adjacent to Huiyang bus terminus and is within walking distance of the Danshui central business areas. The project occupies an aggregate site area of approximately 172,000 square meters with a planned saleable GFA of approximately 394,671 square meters.

We commenced development of phases 3 and 5 of this project in June 2012 and May 2013, respectively, and completed construction of those two phases in March 2014 and December 2014, respectively. We commenced development of phase 4 of this project in December 2013 and expect to complete construction in January 2016. As of December 31, 2014, we held approximately 80,040 square meters of saleable GFA of phases 3, 4 and 5 for sale.

Huizhou Love Forever (惠州花郡)

Huizhou Love Forever (惠州花郡) is a mid- to high-end residence located on the outskirts of Daya Bay Center, Huizhou, Guangdong Province. The project occupies an aggregate site area of approximately 40,000 square meters with a planned saleable GFA of approximately 111,455 square meters. We commenced development of phases 1 and 2 of this project in July 2012 and September 2012, respectively. Phase 1 was completed in December 2013 and phase 2 was completed in September 2014. As of December 31, 2014, we held approximately 1,710 square meters of saleable GFA of phase 2 for sale.

Chengdu

Chengdu Fantasia Town (成都花樣城)

Chengdu Fantasia Town (成都花樣城) is a large-scale residential community located at Guangming Community, Jinma Town, Wenjiang District, Chengdu, Sichuan Province. Wenjiang District is one of the most developed residential areas in the suburbs of Chengdu. It has an established municipal infrastructure system and is conveniently linked to the center of Chengdu. It also enjoys a rich biological environment and beautiful scenery and is the site of several hot springs. The project occupies an aggregate site area of approximately 126,667 square meters with a planned saleable GFA of approximately 129,611 square meters.

We commenced development of phases 4.2 and 5 of this project in July 2011 and August 2013, respectively. We completed phase 4.2 of this project in June 2014 and phase 5 is expected to be completed in December 2015. As of December 31, 2014, we held approximately 68,710 square meters of saleable GFA of Phase 5 for sale.

Chengdu Belle Epoque (成都君山)

Chengdu Belle Epoque (成都君山) is a large scale, low density residential community located in a famous tourist attraction in Yongshang Town, Xinjin County, Chengdu, Sichuan Province. It is approximately three kilometers away from the center of Yongshang Town, approximately seven kilometers from Chengdu-Ya'an Express Way, approximately 18 kilometers away from the airport, and approximately 39 kilometers away from the city center of Chengdu. The project occupies an aggregate site area of approximately 491,209 square meters with a planned saleable GFA of approximately 283,304 square meters.

As of December 31, 2014, saleable GFA of approximately 265,812 square meters was held for future development.

Chengdu Grande Valley (成都大溪谷)

Chengdu Grande Valley (成都大溪谷) is a large scale residential complex located in Jinhua and Qixin Villages, Heshan Town, Pujiang County, Chengdu, Sichuan Province. It is about one kilometer away from the exit of the Chengdu-Ya'an Express Way and is about a 40-minute drive to the city center of Chengdu. Pujiang County is also a national ecological model county and enjoys an exceptional advantage with regards to its natural surroundings. The project is surrounded by natural scenery, including Changqiu mountain with an area of about 20 square kilometers, and pristine lakes and wetlands with an area of about 200,000 square meters. The project occupies an aggregate site area of approximately 909,225 square meters with a planned saleable GFA of approximately 1,522,717 square meters. We commenced development of phase 2.2.1 of this project in November 2012, phase 2.2.2 in April 2013, phase 2.2 in September 2013 and phase 12-1 in September 2014. We completed construction of phase 2.2.1 in March 2014 and phase 2.2.2 in December 2014 and phase 2.2 and phase 12-1 are expected to be completed in December 2015 and December 2016, respectively. As of December 31, 2014, we held approximately 21,083 square meters of saleable GFA of phases 2.2.1, 2.2.2 and 2.2 for sale.

As of December 31, 2014, saleable GFA of approximately 727,088 square meters was held for future development.

Chengdu Grand Valley Four Points by Sheraton Hotel (成都大溪谷福朋酒店)

Chengdu Grand Valley Four Points by Sheraton Hotel (成都大溪谷福朋酒店) is located in Pujiang County, Chengdu, Sichuan Province. The project occupies a total site area of approximately 16,447 square meters with a planned saleable GFA of 33,700 square meters. We commenced development of this project in March 2013 and expect to complete it in September 2015. As of December 31, 2014, we were expected to hold approximately 33,700 square meters of saleable GFA for investment or for hotel management purposes.

Chengdu Longnian International Centre (成都龍年國際中心)

Chengdu Longnian International Centre (成都龍年國際中心) is located in Pujiang Pitong Town, Pixian, Chengdu, Sichuan Province. The project occupies an aggregate site area of approximately 208,500 square meters with a planned saleable GFA of 325,200 square meters. We commenced development of phases 1.2, 1.3 and 2.1 of this project in November 2012 and phase 1.1 in March 2014, and completed construction in June 2015 and December 2014. As of December 31, 2014, we held approximately 136,766 square meters of saleable GFA for sale and approximately 79,104 square meters for investment or for hotel management purposes.

As of December 31, 2014, saleable GFA of approximately 253,864 square meters were held for future development.

Chengdu Pi County Project (成都郫縣項目)

Chengdu Pi County Project (成都郫縣項目) is located in Pi County, Chengdu, Sichuan Province. The project occupies a total site area of approximately 40,380 square meters with a planned saleable GFA of approximately 129,814 square meters. We commenced development of this project in January 2013. As of December 31, 2014, we had pre-sold all planned saleable GFA.

Suzhou

Suzhou Lago Paradise (蘇州太湖天城)

Suzhou Lago Paradise (蘇州太湖天城) comprises accommodation and dining and residential buildings located in the Taihu National Tourism Vacation Zone in Suzhou City, Jiangsu Province. The project occupies an aggregate site area of approximately 111,107 square meters with a planned saleable GFA of approximately 57,636 square meters. The project is divided into land plots. We commenced development of land plot no.4 of this project in August 2012, which is expected to be completed in December 2015. As of December 31, 2014, we had pre-sold approximately 4,309 square meters of saleable GFA of land plot no.4 held approximately 17,507 square meters for sale.

Suzhou Fantasia Special Town (蘇州別樣城)

Suzhou Fantasia Special Town (蘇州別樣城) is located in the Taihu National Tourism Vacation Zone in Suzhou City, Jiangsu Province. The project occupies an aggregate site area of approximately 68,273 square meters with a planned saleable GFA of approximately 120,000 square meters. We commenced development of phase 1 of this project in June 2013 and phase 2 in May 2014. We completed construction of phase 1 in December 2014 and phase 2 is expected to be completed in December 2015. As of December 31, 2014, we held approximately 8,611 square meters of the saleable GFA for sale.

Suzhou Hailrun Plaza (蘇州喜年廣場)

Suzhou Hailrun Plaza (蘇州喜年廣場) is located in Binhe Road West, Shangxin District, Suzhou City, Jiangsu Province. The project occupies an aggregate site area of approximately 73,059 square meters with a planned saleable GFA of approximately 198,743 square meters. We commenced development of this project in May 2013, which is expected to be completed in December 2016. As of December 31, 2014, we held approximately 53,880 square meters of the saleable GFA for sale.

Wuxi

Wuxi Love Forever (無錫花郡)

Wuxi Love Forever (無錫花郡) is a boutique upscale residence located in a new district of Wuxi, Jiangsu Province. The project occupies an aggregate site area of approximately 123,670 square meters with a planned saleable GFA of approximately 160,531 square meters.

We commenced development of phases 2 and 4 of this project in August 2011. Phase 2 was completed in February 2015 and phase 4 is expected to be completed in December 2015. As of December 31, 2014, we held approximately 26,770 square meters for sale.

As of December 31, 2014, saleable GFA of approximately 19,420 square meters was held for future development.

Tianjin

Tianjin Love Forever (天津花郡)

Tianjin Love Forever (天津花郡) is a boutique upscale residential community located in Wuqing District, Tianjin. The project occupies a total site area of approximately 361,546 square meters with a planned saleable GFA of approximately 513,072 square meters. We commenced development of phases 1.2 and 1.3 of this project in January 2013 and January 2014, respectively, and completed in September 2014 and December 2013, respectively. We commenced development of phase 4.1 in May 2014, which is expected to be completed in September 2015. As of December 31, 2014, we had pre-sold approximately 78,650 square meters of saleable GFA of phases 1.2, 1.3 and 4.1 and were expected to hold approximately 47,745 square meters of saleable GFA for sale.

As of December 31, 2014, saleable GFA of approximately 98,150 square meters was held for future development.

Tianjin Huaxiang (天津花鄉)

Tianjin Huaxiang (天津花鄉) is a boutique upscale residential community located in Wuqing District, Tianjin. The project occupies an aggregate site area of approximately 64,875 square meters with a planned saleable GFA approximately 261,849 square meters. We commenced development of phase 1 of this project in June 2014, which is expected to be completed in December 2015. As of December 31, 2014, we had pre-sold approximately 9,227 square meters of saleable GFA of phase 1 and were expected to hold approximately 1,021 square meters of saleable GFA for sale.

As of December 31, 2014, saleable GFA of approximately 260,700 square meters was held for future development.

Tianjin Yingcheng Lake Project (天津營城湖項目)

Tianjin Yingcheng Lake Project (天津營城湖項目) is expected to be a residential community located to the south of Yingcheng Reservoir, Hangu District, Tianjin. The project is located within the New Coastal Area of Tianjin, which is a national level key development area in Tianjin, and is further within the sub-area of the New Coastal Area designated for leisure and tourism purposes. We believe the project may have a great prospect for value appreciation as an increasing number of tourist attractions and facilities are planned in the surrounding area. The project occupies a total site area of approximately 100,000 square meters with a planned saleable GFA of approximately 168,339 square meters. As of December 31, 2014, all planned saleable GFA was held for future development.

Guilin

Guilin Fantasia Town (桂林花樣城)

Guilin Fantasia Town (桂林花樣城) is an urban complex located in Lingui New District, Guilin, Guangxi Province. The project occupies an aggregate site area of approximately 190,591 square meters

with a planned saleable GFA of approximately 578,448 square meters. We commenced development of phases 1.3, 2 and 3 in May 2011, March 2013 and March 2013, respectively. We completed phase 1.3 in May 2014 and phase 2 in May 2014. The phase 3 is expected to be completed in May 2016. As of December 31, 2014, we had pre-sold approximately 89,368 square meters of saleable GFA of phase 1.3 and approximately 152,181 square meters of saleable GFA of phase 2, and held saleable GFA of approximately 7,398 square meters in phase 1 and approximately 13,520 square meters of phase 2 for sale. And we had pre-sold approximately 16,114 square meters of saleable GFA of the phase 3 and was expected to hold saleable GFA of approximately 56,568 square meters for sale and approximately 70,523 square meters for investment or hotel management purposes, including the establishment of a five star hotel, Four Points by Sheraton.

Guilin Lakeside Eden (桂林麓湖國際社區)

Guilin Lakeside Eden (桂林麓湖國際社區) is a boutique upscale complex located in Lingui New District, Guilin, Guangxi Province. The project occupies an aggregate site area of approximately 513,962 square meters with a planned saleable GFA of approximately 1,618,917 square meters. We commenced development of phases A1 and C1 of this project in April 2012 and March 2013, respectively, which are completed in June 2014 and December 2014, respectively. We also commenced development of phase C2 and B of this project in March 2013 and November 2014, respectively, and expect to complete construction between March 2016 to December 2018 in phases. As of December 31, 2014, we had pre-sold saleable GFA of approximately 114,111 square meters and were expected to hold approximately 108,081 square meters for sale.

As of December 31, 2014, saleable GFA of approximately 993,821 square meters was held for future development.

Nanjing Fantasia Town (南京花樣城)

Nanjing Fantasia Town (南京花樣城) is a mid-to-high end residence located in Ninggao High-Tech Industrial Park, Gaochun Economic Development Zone, Nanjing, Jiangsu Province. The project occupies an aggregate site area of approximately 161,137 square meters with a planned saleable GFA approximately 443,459 square meters. We commenced development of phase 1 of this project in September 2014, which is expected to be completed in September 2016. As of December 31, 2014, we had pre-sold approximately 86,030 square meters of saleable GFA of phase 1 and were expected to hold approximately 14,354 square meters of saleable GFA for sale.

As of December 31, 2014, saleable GFA of approximately 297,852 square meters was held for future development.

Nanjing Hailrun Plaza (南京喜年廣場)

Nanjing Hailrun Plaza (南京喜年廣場) is urban complexes located in Gulou District, Nanjing, Jiangsu Province. The project occupies an aggregate site area of approximately 51,689 square meters with a planned saleable GFA approximately 255,688 square meters. We commenced development of phase 1 of this project in December 2014, which is expected to be completed in December 2017. As of December 31, 2014, we had pre-sold approximately 101,017 square meters of saleable GFA of phase 1 and were expected to hold approximately 17,665 square meters of saleable GFA for sale.

As of December 31, 2014, saleable GFA of approximately 120,113 square meters was held for future development.

Beijing

Beijing Qingnian Road Project (北京青年路項目)

Beijing Qingnian Road Project (北京青年路項目) is located on Qingnian Road of Beijing. The project occupies a total site area of 17,138 square meters with a planned saleable GFA of 140,000 square meters. As of December 31, 2014, all planned saleable GFA was held for future development.

Ningbo Love Forever (寧波花郡)

Ningbo Love Forever (寧波花郡) is boutique upscale residences located in Beilun District, Ningbo, Zhejiang Province. The project occupies an aggregate site area of approximately 75,432 square meters with a planned saleable GFA approximately 150,765 square meters. We commenced development of this project in July 2013, which is expected to be completed in December 2015. As of December 31, 2014, we held approximately 74,243 square meters of saleable GFA for sale.

Singapore

Singapore 6 Derbyshire (新加坡花郡)

Singapore 6 Derbyshire (新加坡花郡) is located in Novena District, Singapore. The project occupies a total site area of 4,228 square meters with a planned saleable GFA of 11,551 square meters. We commenced development of this project in September 2014, which is expected to be completed in December 2016. As of December 31, 2014, we held approximately 10,372 square meters for sale.

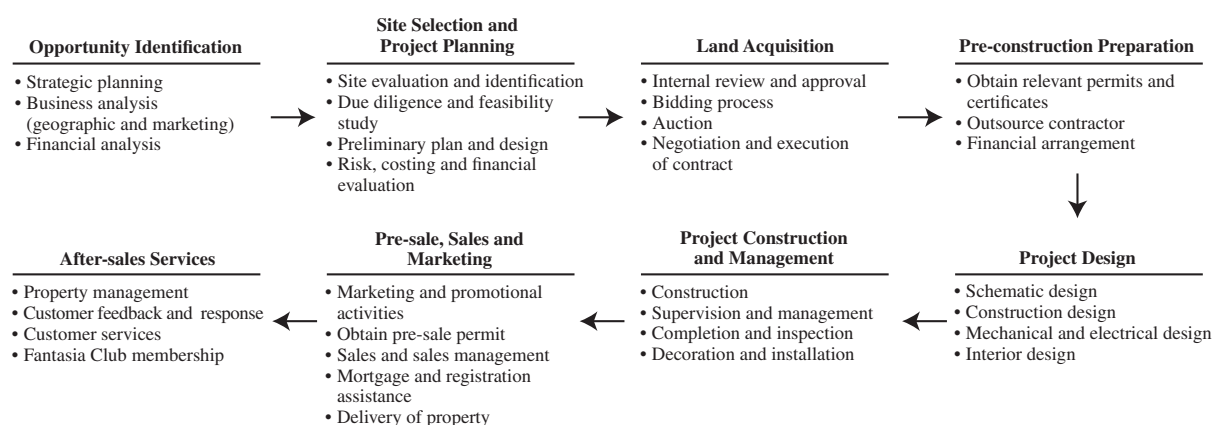
Our Business Segments

Our business includes (i) property development, (ii) property investment, (iii) property operation services, (iv) property agency services and (v) hotel services. Our property operation services include property management services, building equipment installation, maintenance and repair services, information network services and other value-added services such as secondary property brokerage services after our disposal of Xingyan Property Consultancy. Historically, our Group provided dedicated property agency services through Xingyan Property Consultancy, in which we owned an 85% equity interest. Due to the restructuring of the Group's business and in order for us to focus on our other major segments, we disposed of our entire 85% interest in Xingyan Property Consultancy in February 2011 to an independent third party. Our hotel services include hotel management and operation services. As of December 31, 2014, except as would not result in a material adverse effect to our business, we and our PRC subsidiaries were in possession of all of the relevant approvals and qualification certificates required under PRC laws and regulations in order to conduct our businesses.

Property Development

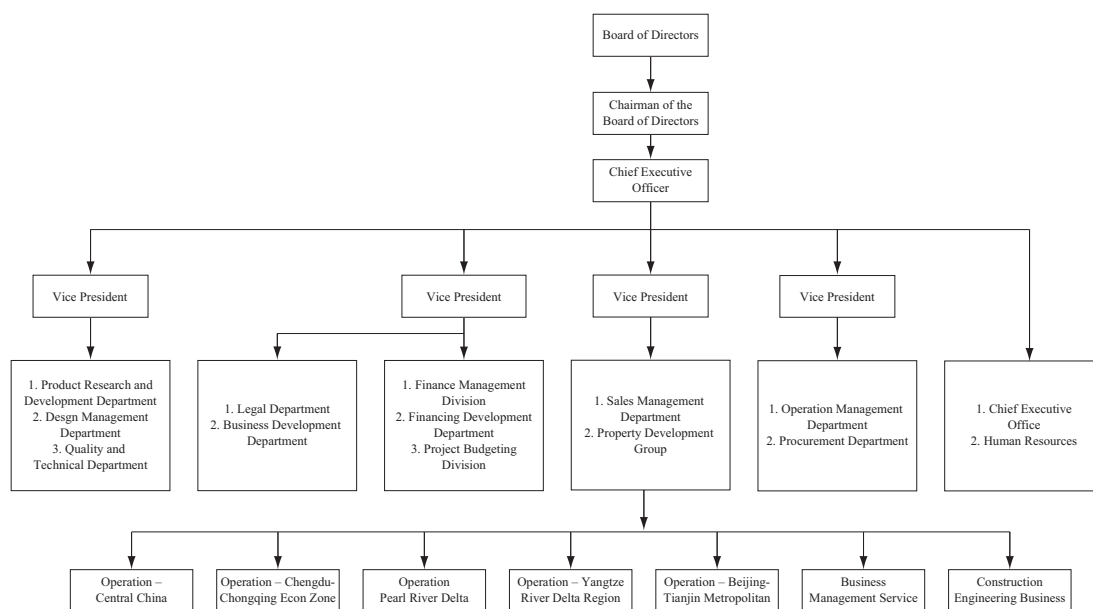
Overview

Although the nature and sequences of specific planning and execution activities will vary among our different property development projects, the core stages typically involved in the development of our properties include opportunity identification, site selection and project planning, land acquisition, pre-construction preparations, project design, project construction and management, pre-sale, sales and marketing, and provision of after-sales services, which are illustrated below:



Project Management

We have established project companies to supervise and manage our property development projects in different cities or regions in China that we believe will best allow us to address the unique market associated with such cities or regions. The senior management of our Group works closely with the senior management of each of our project companies to provide guidance as to the overall strategic directions of our Group as well as to supervise and oversee the activities of each of the project companies. We have recently changed the management structure of our group. The following chart illustrates the management structure of our Group as of December 31, 2014:



Our project companies have further established specialized divisions to supervise and manage the major stages of our property development activities. The divisions include the construction management division, market planning division, marketing management division, project budgeting division, finance management division and product design division. However, depending on the size and the type of projects, the specialized divisions between each project company may vary and for certain projects, the relevant market research, site selection and other pre-construction, design and construction decisions may be directly carried out by the senior management of the Group or through one of its divisions instead of by the project companies. Our project companies generally enjoy a certain level of autonomy in their daily business operating decisions without the prior approval of the Group's senior management. We believe such autonomy enhances our operating efficiency and allows us to optimize our capacities and resources as well as to leverage on the local knowledge of the management of each project company. However, major operating decisions, such as the purchase of land, the approval of projects for development and financing, are subject to the decision of the Group's senior management. We believe our management structure provides us with the ability to consolidate the resources of the Group to enhance our negotiating powers with certain suppliers and contractors, and facilitate the sharing of expertise among various projects in areas such as design, construction, marketing and sales.

Opportunity Identification

The first stage of our development process involves the identification of new opportunities for forthcoming land auctions or sales in strategic cities or regions in China. Our senior management and our business expansion and development division of our Group determine our strategic direction and our future project development plans. The business intelligence research and development department of our Group also conducts in-depth demographic and market research as to potential cities or regions in China into which we may consider entering. The selection criteria for suitable expansion opportunities are based on certain indicators, including, among others:

- population and urbanization growth rate;

- general economic condition and growth rate;
- disposable income and purchasing power of consumers;
- anticipated demand for residential and commercial properties and office spaces;
- availability of future land supply and land prices;
- cultural heritage of such city;
- local business environment and opportunities;
- availability of qualified personnel in such city or region and the willingness of our existing management personnel to relocate to such city or region;
- governmental urban planning and development policies; and
- overall competitive landscape.

Site Selection

We, through certain divisions of our property development business, are engaged in the research of property market conditions in the Pearl River Delta region, the Chengdu-Chongqing Economic Zone, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China in an effort to identify and assess potential property development opportunities. Before selecting a parcel of land for development, we engage in comprehensive and in-depth market research and analysis to evaluate the market potential and value of the areas surrounding the land and the development potential of the land. Key factors that are considered during our land selection include, but are not limited to:

- size, shape and location of the parcel;
- transportation access and availability of infrastructural support;
- prospects of economic development in the area, government income GDP and social, economic and environmental conditions of the area;
- demand for properties in the relevant area, including pricing potentials;
- existing and potential property developments in the area;
- convenience of the site, such as proximity to the city center, airport, subway and commercial facilities;
- suitability of the site for our products;
- cost, investment and financial return, including cash flow and capital appreciation;
- the status of the land use rights with respect to the targeted site if acquired in the secondary market; and
- government development plans for the relevant site and neighboring area.

Furthermore, during land selection, we also consult with the relevant local authorities as to how the development of the targeted land can fit within the overall development plan of the region, city or area in which the land is located.

Land Acquisition

We follow a strict procedure in the acquisition of properties. Prior to acquiring a property, our business intelligence research and development department, investment management department, legal department, financial management department and certain other departments must all review and approve such proposed acquisition. The proposed project, once vetted and approved by various departments and our chief executive officer, will be submitted to our board of directors for approval. If the proposed project is approved by the board of directors, we will then seek to acquire the land use rights within a pre-set budget.

We have historically obtained our land and will continue to obtain land through (i) acquisition of land use rights through government-organized tender, auction and listing-for-sale; (ii) establishing joint venture project companies; (iii) cooperatively developing projects with third parties; (iv) acquiring target companies which have acquired land use rights themselves; and (v) acquisition of projects under development from third party project companies. In both government bids and purchases in the secondary market, the purchase price typically includes all expenses required to deliver the land use rights.

The Rules regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) issued by the Ministry of Land and Resources (the “MLR”), revised on September 21, 2007 and renamed as the Rules regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which came into force on November 1, 2007, provide that state-owned land use rights for commercial use, tourism, entertainment and commodity housing development may be granted by the government only through competitive bidding, auction or listing-for-sale. If land use rights are granted by way of competitive bidding, the relevant land administration authority will issue a bidding announcement, inviting individuals, corporations and other organizations to participate in the tender. When deciding the grantee of the land use rights, the relevant authorities consider not only the tender price, but also the credit history and qualifications of the tenderer and the tender proposal. If land use rights are granted by way of auction, the relevant land administration authority will issue an auction announcement, and the bidders can, at a specified time and location, openly bid for the relevant parcel of land. If land use rights are granted by way of listing-for-sale, the relevant land administration authorities will announce the conditions for granting the land use rights at designated land transaction centers and bidders are invited to submit their bids in writing. The land use rights are granted to the bidder submitting the highest bid by the end of the listing-for-sale period. See “Regulation—I. Legal Supervision Relating to the Property Sector in the PRC—D. Development of a Property Project—(i) Land for property development.”

Under current regulations, original grantees of land use rights are typically allowed to transfer the land use rights granted to them provided that (i) the assignment price payable to the relevant government authorities has been fully paid in accordance with the assignment contract and a land use rights certificate has been obtained; and (ii) development has been carried out according to the assignment contract and, (iii) in the case of a project under development, development representing more than 25% of the total investment has been completed. If the land use rights are obtained by way of allocation, such land may be transferable upon approval by the relevant government authority. See “Regulation” for further details. Under current PRC laws and regulations, property development should be started no later than one year from the project commencement date stipulated in the relevant land grant contract and the development of the land should not be suspended for more than one year before we have completed one-third of the total GFA and invested more than one-fourth of the total estimated investment of the project. See “Regulation.”

Under current PRC laws and regulations, we may also obtain land use rights through the acquisition of project companies that already hold the relevant land use rights. We have obtained land use rights through such method for the following projects: Dongguan Wonderland (東莞江山花園), Wuxi Hailun Complex (無錫喜年中心), Chengdu Fantasia Town (成都花樣城), Guilin Fantasia Town (桂林花樣城), Guilin Lakeside Eden (桂林麓湖國際社區), Chengdu Belle Epoque (成都君山), Chengdu Future Plaza (成都香年廣場), Yixing Town on the Water (宜興雲海間), Tianjin Yingcheng Lake (天津營城湖項目), Suzhou Taihu Project (蘇州太湖項目), Beijing Qingnian Road Project (北京青年路項目), Shenzhen Topsearch Building Project (深圳至卓大廈項目), Suzhou Yin Zhuang Project (蘇州銀莊項目), Shanghai Xiangcheng Road Project (上海向城路項目), Shenzhen Longqiwan Project (深圳龍岐灣項目), Ningbo

Beilun Project (寧波北侖項目), Shanghai Belgravia (上海柏雅居), Tianjin Meinian Plaza (天津美年廣場) and Singapore Derbyshire Road Project.

Pre-Construction

Permits and Certificates

Once we have obtained the rights to develop a parcel of land, we will then begin to apply for the various permits and license that we need in order to begin construction and sale of our properties, which includes:

- land use rights certificate, which is a certification of the right of a party to use a parcel of land;
- construction land planning permit, which is a permit authorizing a developer to begin the survey, planning and design of a parcel of land;
- construction works planning permit, which is a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a construction works commencement permit;
- construction works commencement permit, which is a permit required for commencement of construction; and
- pre-sale permit, which is a permit authorizing a developer to start the pre-sale of property still under construction.

As of December 31, 2014, we have obtained all the required land use rights certificates and permits for our existing properties under development, taking into account the respective stages of development at such date. In addition, we have obtained all land use rights certificates for our properties that are held for future development. We have also entered into preliminary framework agreements with the local government authorities and relevant third parties related to four potential new projects located in Nanjing, Shenzhen, Wuhan and Huizhou. We expect to enter into additional agreements related to those three projects in order to obtain the land use rights certificates.

Financing of Property Development

Historically, our main sources of funding for our property development are internal funds, proceeds from pre-sales and sales of properties and borrowings from banks and other financial institutions. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. See "Regulation—I. Legal Supervision Relating to the Property Sector in the PRC."

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. In the past, we typically financed the acquisition of land reserves from internal funds and proceeds from the pre-sale of properties, while our property development costs, including construction costs and additional financing for existing projects, are typically financed by internal funds, proceeds from the pre-sale of properties and project loans from PRC banks.

During the three years ended December 31, 2014, all of our payments of land premiums have been funded by internal funds and proceeds from the pre-sales of properties and equity and debt financing (other than project loans from PRC commercial banks). We typically use internal funds, proceeds from pre-sales and loans from PRC commercial banks to finance the construction costs for our property developments. From time to time, we also seek to obtain further funding to finance our project developments by accessing the international capital markets. We plan to use bank borrowings, internal funds, proceeds from the pre-sales and sales of our properties, and other cash generated from our operation to finance our future payments of property developments.

Design

In order to provide our customers with distinctive designs and also to achieve operating efficiency, we outsource the design of substantially all of our property development projects to third party domestic or international architecture and design firms. We have worked closely with leading domestic and international architecture and design firms, such as Shenzhen Cube Architecture Design Office, China Southwest Architectural Design and Research Institute Corp. Ltd., AECOM, Earth Asia Design Group (Shanghai) Co., Ltd., RTKL Associates Inc., Kengo Kuma and Associates, Kenneth Ko Designs Ltd., Steve Leung Designers Ltd., PAL Design Consultants Ltd. and Woods Bagot Asia Limited. Our product design divisions are responsible for selecting third-party architecture and design firms, taking into consideration their reputation, proposed designs and their past relationship with us. From time to time, we also engage in a tender process in which the architecture and design firms submit proposals which we determine whether they can be translated into commercially viable projects. Our product design divisions supervise and provide the third-party architecture and design firms with certain directions and design criteria in which we aim to market our property development projects. In addition, our product design divisions work closely with the architecture and design firms in major aspects of the design process, from master planning, design specifications and adjustments, raw material selection, to ensuring that the designs are in compliance with local regulations. Our product design divisions monitor closely the work of the architecture and design firms to ensure that the project designs meet our specifications and work together with our project directors and our construction management divisions to ensure that any problems encountered with the proposed design during construction are resolved in a timely manner.

Project Construction and Management

Construction and Procurement

We outsource our project construction activities entirely to independent third-party contractors and subcontractors. To ensure the smooth cooperation between third-party contractors and us and high quality of construction work, we usually invite contractors to participate in a tender process. When selecting contractors, we consider the contractors' reputation, past performance, work quality, proposed delivery schedules, costs and current project type and profile and seek to maintain our construction costs at a reasonable level without sacrificing quality.

Our construction contracts are typically fixed price contracts that, except for certain provisions relating to the procurement of construction materials, provide for periodic payments during construction until a specified maximum percentage of the total contract sum is paid upon the completion of quality inspection. We generally retain a small portion of the contract price until the end of the warranty period as specified under the construction contracts to cover any potential expenses incurred as a result of any construction defects. However, under certain circumstances, the construction contracts also provide for bonus payment to the contractors if the construction is completed ahead of schedule. The construction contracts we enter into with construction companies also typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. A project director from our project companies is assigned to each project to monitor quality and cost control and construction progress closely during construction. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. During the years ended December 31, 2012, 2013 and 2014, we have not experienced delay in construction or unsatisfactory quality of workmanship. In addition, as of December 31, 2014, we had not historically experienced any material disputes with any of our contractors.

A significant portion of the equipment and material used during construction are purchased by the contractors in accordance with the specifications provided by the design plan of the architecture and design firms and us. Certain materials, however, are purchased based on the joint consultation and selection between our contractors and us, such as cement. Furthermore, certain other equipment and materials, such as elevators, interior decoration materials and air conditioning systems, are purchased by us through our construction management divisions. Each transaction is initiated by a purchase order and the suppliers are asked to deliver the supplies to locations specified by the relevant property development

projects. Depending on factors such as costs, shipping expenses, convenience, quality and the type of equipment and materials needed for a particular project, each of our construction management divisions may purchase the same equipment and material from different suppliers or may combine to purchase from the same supplier to enhance our negotiating powers.

Quality Control and Supervision

We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations, meet the specified standards and are of a high quality. Each project is assigned a project director with its own project management team, which is comprised of qualified engineers, including civil engineers, electrical engineers and sanitary engineers. Depending on the size and the nature of the project, there could be one or more than one such engineer in a given project. Our project management team perform on-site inspections and supervision on a day-to-day basis so as to ensure the workmanship and the quality of the material used by the contractors. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies and on-site inspection. To maintain quality control, we employ strict procedures for the selection, inspection and testing of the equipment and materials that are purchased. Our project management teams inspect equipment and materials to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. We reject equipment and materials that are below our standards or that do not comply with our specifications. We also engage independent supervisory companies to conduct quality and safety control checks on all building materials and workmanship on site. Finally, prior to handing over a property to a purchaser, our sales and customer service departments, together with our engineers and the relevant property management company, inspect the property to ensure the quality of the completed property.

Pre-sale, Sales and Marketing

We typically conduct pre-sales of our property units prior to the completion of a project or a project phase. Under relevant PRC regulations, we may engage in such preselling activities subject to satisfaction of certain requirements set forth in laws and regulations governing pre-sales of properties. These requirements include:

- the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;
- the required construction works planning permits and the construction works commencement permits must have been obtained;
- the funds contributed to the property developments where property units are pre-sold may not be less than 25% of the total amount invested in a project and the progress and the expected completion date and delivery date of the construction work have been confirmed;
- pre-sale permits have been obtained from the construction bureaus at local levels; and
- the completion of certain milestones in the construction processes or other requirements as specified by the local government authorities.

These mandatory conditions are designed to require a certain level of capital expenditure and substantial progress in project construction before the commencement of pre-sales. Generally, the local governments also require developers and property purchasers to use standard pre-sale contracts prepared under the supervision of the local government. Developers are required to file all pre-sale contracts with local land bureaus and real estate administrations after entering into such contracts. We have complied with all the relevant pre-sale rules and regulations in the past in all material respects. See “Regulation— I. Legal Supervision Relating to the Property Sector of the PRC—E. Transfer and Sale of Property—(ii) Sale of commodity buildings—(a) Permit for Pre-sale of Commodity Buildings.”

Historically, the pre-sale, sales and marketing of our properties were conducted by our marketing management divisions and Xingyan Property Consultancy. Subsequent to the sale of Xingyan Property Consultancy in February 2011, we mainly cooperated with external property agency companies in marketing our projects. These property agency companies work closely with our marketing management divisions to conduct market research and analysis and formulate marketing plans and strategies, which we carefully evaluate and adopt as appropriate. Sales teams of such property agency companies are stationed at our projects' locations and carry out the actual selling activities, including contract signing and delivery logistics.

After-sales Services

Payment Arrangements

We typically require our purchasers to pay a non-refundable deposit that is typically between 5% and 10% of the purchase price before entering into formal purchase contracts. If the purchasers later renege on the purchase contract, they will forfeit such deposit. Upon executing the purchase contracts, the purchasers are typically required to pay not less than 30% of the total purchase price of the property. If purchasers elect to make a lump-sum payment, the remaining purchase price balance is typically required to be paid no later than three months after the execution of the purchase contracts. Purchasers of our properties, including those purchasing pre-sale properties, may also arrange for mortgage loans with banks. As part of our sales efforts, we will assist our customers in arranging and providing information related to obtaining financing. If the purchasers elect to fund their purchases by mortgages, under current PRC laws and regulations, they may obtain mortgages of up to a maximum of 70% of the purchase price with a repayment period of up to 30 years. However, if the purchase is for a second or subsequent residential property and a bank loan was obtained to finance the purchaser's first property, then such purchaser may only obtain mortgages of up to 40%. For further purchases of properties, there would be continued downward adjustments on the percentage of the purchase price in which such purchaser can obtain a mortgage. In addition, banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan exceeds 50% of the individual borrower's monthly income or if the total debt service of the individual borrower exceeds 55% of such individual's monthly income. Purchasers are typically required to pay the remaining balance of the purchase price that is not covered by mortgages prior to the disbursement of mortgages from the banks. The payment terms of sales and pre-sales of properties are substantially identical. See "Regulation."

In accordance with industry practice, we provide guarantees to banks with respect to the mortgages offered to our purchasers upon requests of the banks. These guarantees are released upon (i) the relevant property certificates being delivered to the banks and completion of the relevant mortgage registrations, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our projects. As of December 31, 2012, 2013 and 2014, our outstanding guarantees on the mortgage loans of our purchasers amounted to RMB2,750.8 million, RMB3,163.0 million and RMB4,778.1 million (US\$770.1 million), respectively, which were approximately 11.2%, 10.3% and 11.6%, respectively, of our total assets. The default rates on the repayment of our purchasers against the total guarantees we provided in connection with mortgage loans of our purchasers were negligible during the three-year period ended December 31, 2014. See "Risk Factors—Risks Relating to Our Business—We guarantee mortgage loans provided to our purchasers and may be to the mortgagee banks if our purchasers default on their mortgage loans." We do not conduct independent credit checks and due diligences on our purchasers when providing guarantees but instead rely on the credit checks conducted by the mortgage banks, and will typically require a higher initial payments from purchasers with less than ideal credit histories or purchasers whose mortgage is considered too high as compared to their income. In addition, for certain purchasers that have been delinquent in their other financing obligations, we may refuse to provide such guarantees. We believe that our outstanding guarantees on the mortgage loans of our purchasers are over-secured as we believe the aggregate fair value of the underlying properties exceeds the aggregate amount of outstanding guarantees.

Delivery and Other After-sales Services

In addition to assisting our customers in arranging for and providing information relating to financing, we also assist our customers in various title registration procedures relating to their properties,

including assisting them to obtain their property ownership certificates. We offer various communication channels to customers to obtain timely feedback about our products or services. Furthermore, we have established a membership program, the Fantasia Club (花樣會), in which purchasers of our properties are automatically enrolled. Such membership program provides our members with points when they purchase properties from us or recommend new customers to purchase our properties. In addition, membership points are provided through promotional activities and campaigns that we run from time to time. Membership points are redeemable for gifts or cash. We believe by establishing such membership program, we are better able to establish relationships with our customers and build customer loyalty, solicit customer feedback, generate sales leads and provide our members with a forum to share information relating to our properties and events and activities that are happening within our property communities.

We endeavor to deliver the units to our customers on a timely basis. We closely monitor the progress of the construction of our property projects and conduct pre-delivery property inspections to ensure timely delivery. The time frame for delivery is set out in the purchase contracts entered into with our customers, and we are subject to penalty payments to the purchasers for any delay in delivery caused by us. Once a property development has been completed, it must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the construction contractors arrange for final inspection by the property development authority. Within 15 days of the completion of the final inspection, the property developers must file a completion inspection report upon the completion of properties with the relevant property development authority, at which time the property is ready for delivery and we may hand over keys and possession of the properties to our customers. For additional information regarding the process of completion of a property project, please see “Regulation.” During the three-year period ended December 31, 2014, we have completed our construction and delivered the units to our customers based on our development schedule and the time frame for delivery set out in the purchase contracts.

Our Colour Life Group provides both traditional property management services to our properties, including security services, maintenance of properties and facilities and gardening, and modern community value-added services such as online commodity group-buying and delivery, commercial services and community resources integration. We currently provide property management services to substantially all of the properties developed by us. We also provide property management services to properties developed by other developers.

For additional information as to our property management services, see “—Our Property Operation Business—Property Management Services.”

Commitments and Undertakings

Our purchase contracts entered into with our purchasers typically require the properties to meet certain standards and also provide certain warranties to our purchasers. We typically represent or warrant to our purchasers that our properties are constructed in accordance with the current standards of construction and design, have passed quality inspection by the relevant local authorities and all components, equipment and facilities of the properties are performing in accordance with relevant standards. We also provide warranties to our purchasers to cover the foundations, primary structures, designs, roofs, exterior walls, wire, gas and water pipes, lighting and other electrical systems of our properties for a certain number of years in accordance with relevant local requirements and standards of the cities where our properties are located. For example, in Shenzhen, we warrant to our purchasers the foundations and the primary structures and designs of our properties for a term of 50 years, water leakage for roofs and exterior walls for a term of five years, wires and gas and water pipes for a term of two years and lighting and certain electrical systems for a period of six months, provided that the properties and such wires, pipes, lighting and systems are used under normal wear and tear conditions. However, such warranties do not cover damages that are the result of improper usage or changes made to the units or equipment by the unit owners or damages that are caused by force majeure. In special circumstances, however, we may decide to provide free repair services to our customers for damages that are not covered by our warranties. For example, some of our completed properties in Chengdu suffered minor damages such as cracks on the walls during the major earthquake that struck Sichuan province in China in May 2008. While such damages are not covered by our warranties because the earthquake constitutes *force*

majeure, we decided to repair such cracks for our customers at our own cost in order to increase our customer satisfaction and enhance our reputation as a responsible property developer.

Our Property Investment Business

We currently hold certain commercial, industrial and residential units, office spaces, retail shops and car parking spaces, which we consider to be properties held for investment. Such properties are held and managed by us in order to provide us with recurring rental income as well as for capital appreciation potentials. Our investment properties are typically located in prosperous city business areas or areas around city centers as well as in large communities that we develop. In addition, by holding certain properties for lease in the projects that we develop, we believe we have the ability to introduce certain tenants that may potentially increase the attractiveness of our properties. In selecting tenants, we generally consider factors such as the business of the tenant, the attractiveness of such business to the residents or tenants of our properties, competing business in the surrounding area and reputation, among others. The table below sets forth our investment properties as of December 31, 2014:

	<u>Office and Industrial</u>	<u>Residential</u>	<u>Commercial</u>	<u>Car park</u>
	(square meters)	(square meters)	(square meters)	(units)
Total GFA retained for investment	103,151	402	171,546	10,466

The car parking spaces that we hold for investment in Shenzhen contributed an insignificant portion to our total revenue, during the three-year period ended December 31, 2014.

As additional properties are developed, we will continue to hold a certain percentage of our developed properties as investment properties. However, we may also decide to sell such investment properties from time to time when we believe that such sales would generate a better return on investment than through rental or holding for capital appreciation.

As a result of holding investment properties, our profitability may fluctuate substantially due to changes in fair value of our investment properties because certain portion of our net profits were, during the three-year period ended December 31, 2014, and will continue to be, attributable to changes in the fair value of our investment properties. The fair value of our investment properties is likely to fluctuate from time to time in accordance with local real property market conditions and factors that are beyond our control and may decrease significantly in the future.

Our Property Operation Business

Overview

Historically, we conducted our property operation business through certain PRC subsidiaries. In June 2014, we restructured our property operation business through an initial public offering of the shares of Colour Life, a subsidiary of the Colour Life Group. We have designated our subsidiaries within the Colour Life Group as unrestricted subsidiaries in accordance with the indentures governing the 2010 Notes, the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes, and will designate them as unrestricted subsidiaries in accordance with the Indenture. As of the date of this offering memorandum, we beneficially hold 53.4% equity interest, among which 3% is the subject of the two share subscription agreements entered into with First Shanghai Securities Limited and China Bowen Capital Management Co., Ltd. of which the Company has a right of first refusal, in the Colour Life Group. Our property operation services business has expanded to cover 109 core cities spanning across China. Property operation services provided include property management services, building equipment installation, maintenance and repair services and information network services. In addition to servicing properties developed by us, our Group's property operation services are also provided to properties of other real estate developers. Our property operation business also maintains secondary property brokerage services as a value-added service since our disposal of Xingyan Property Consultancy in February 2011. As of December 31, 2014, we had over 1,265 employees for our property operation business. Each operating subsidiary within this business segment has received the relevant certifications and qualifications to provide the respective property operation services.

Property Management Services

Our property management services are primarily provided by the Colour Life Group and Fantasia Property Management (International) Company Limited. Our Shenzhen Colour Life Services Group Co., Ltd. within the Colour Life Group was recognized as a 2014 Top 100 China Property Management Enterprise (2014中國物業服務百強企業), a recognition that we have received since 2009, as well as a 2012 China Outstanding Property and Service Brand Enterprise (2012中國優秀物業服務品牌企業) and the Largest Community Service Operator (中國最大社區服務運營商), both of which were granted from the China Real Estate Top 10 Research Team (中國房地產Top 10研究組). Fantasia Property Management (International) Company Limited is responsible for the high-end property projects of the Group and has obtained ISO9000, ISO14000 and OHSAS18000 integrated system certifications.

We currently provide property management services to properties developed by us as well as properties developed by other developers. We aim to provide the properties that we manage with comprehensive property management services that range from security services, general maintenance of properties and facilities, gardening and other property management services. We also coordinate with the developers, including our property development project companies, to collect customer feedback and address concerns the customers may have as to the development. We typically provide services to other developers under our own brand name.

The typical property management contracts entered into between us and the owners of the properties, including the properties developed by our Group, set out the scope and the quality requirements of the services to be provided by us and the management fee arrangements. Fees are typically fixed at a pre-determined rate within the price range determined by the relevant local authorities that may not be increased without the prior consent of a majority of the owners of the properties. In addition, the contracts also typically allow us to subcontract some of the services, such as security or cleaning services, to third parties. However, under PRC laws and regulations, the home owners of a residential community of certain scale have the right to change property management companies pursuant to certain procedures. See “Risk Factors—Risks Relating to Our Business—Property owners may terminate our engagement as the provider of property management services.”

In addition to conventional property management services, we also provide the owners of certain of the properties developed by our Group with daily housekeeping, travel arrangements and other fee-based services that are similar to those offered in hotels.

As we have gained our reputation for providing high quality property management services, other property management companies have retained us to help them improve the property management services they provide to their clients. We receive a consulting fee in return for the advisory services we provide to such third-party property management companies.

The following table sets forth the total GFA managed by us and total GFA in which we provided advisory services as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of square meters)		
GFA under management	32,986	63,982	137,164
GFA in which advisory services are provided	1,733	28,290	68,086
Total	34,719	92,272	205,250

As of December 31, 2014, of the total GFA under management by us, approximately 8.0 million square meters, or 3.9%, were properties developed by us and approximately 197.3 million square meters, or 96.1%, were properties developed by independent third parties. All GFA to which we provide advisory services were properties developed by independent third parties.

In addition, as of December 31, 2014, we entered into contractual arrangements for the management of additional properties with a total GFA of approximately 1.1 million square meters.

Building Equipment Installation, Maintenance and Repair Services

Within the Colour Life Group, our PRC subsidiary, Shenzhen Kaiyuan Tongji Building Science & Technology Co., Ltd. (“Shenzhen Kaiyuan”), has the qualifications to engage in the installation, repair and maintenance of building equipment. Shenzhen Kaiyuan currently installs, repairs and maintains certain building equipment of the properties that are managed by us as well as properties developed or managed by others. By having an in-house team of experts who are able to install, repair and maintain building equipment, we believe we are better able to respond to customers’ property servicing needs, reduce building equipment downtime and control installation, maintenance and servicing costs. In addition, by having our own team of experts to provide building equipment installation, maintenance and repair services, we believe we are also better able to control the image and reputation of our properties by being able to respond quickly to repair and maintenance servicing needs as well as strengthen the management services provided by us. Since 2014, in order to be consistent with Colour Life Group’s strategy in phasing out its assets heavy business, Shenzhen Kaiyuan has been gradually reducing its building equipment installation business. Meanwhile, Shenzhen Kaiyuan will continue to enhance its expertise and capabilities in its maintenance and repair services by servicing more properties managed by us or that we provide advisory services to as well as hiring additional personnel when necessary.

Information Network Services

In order to provide a broader range of property operation services, we established a wholly owned subsidiary, Shenzhen Colour Life Network Services Co., Ltd. (“Shenzhen Colour Life Network”) in June 2007, which is aimed at connecting residents or tenants of properties managed by us with third-party vendors through an internally developed internet information platform that provides a variety of value-added services. Such value-added services currently include online ordering for household products, which provide convenience and reduce the costs of household purchases for the residents and tenants due to bulk orders. In addition, we believe such information platform also enhances communication between residents or tenants and the property manager. We aim to continue to improve the information platform and offer additional services such as online payment options or customizable online service orders, as well as integrating its information platform with our own secondary property brokerage information database to provide real estate market information. We believe such large audiences that our information platform reaches will also attract third-party vendors to work with Shenzhen Colour Life Network to provide additional services that will further enhance our offering. Shenzhen Colour Life Network generates revenue through the collection of fees and commissions from vendors that use our information network to offer their products or services.

Secondary Property Brokerage Services

We offer advisory services on choices of properties, accompany potential buyers and tenants on house viewing trips, negotiate price and other terms, provide preliminary proof of title, and coordinate with the notary, the bank and the title transfer agency.

Under applicable PRC law, we are permitted to represent both the seller and the purchaser and are entitled to receive up to 1.5% of the transaction value as sales commission from each side in a secondary real estate sales transaction. We typically represent both the seller and the purchaser in our secondary real estate sales transactions in accordance with customary practice in China. For rental units, we typically charge a one-time commission that is equal to 100% of the contracted monthly rent.

Our Property Agency Business

Historically, our Group provided dedicated property agency services through Xingyan Property Consultancy, in which we owned 85% equity interest. Xingyan Property Consultancy offered three principal types of services: (i) primary property agency services that engage in the selling of properties that we develop as well as properties developed by others, (ii) secondary property brokerage services and (iii) property consulting and advisory services. Due to the restructuring of the Group's business and in order for us to focus on our other major business segments, we disposed of our entire 85% interest in Xingyan Property Consultancy in February 2011 to an independent third party. We maintained secondary property brokerage services as a value-added service in our property operation business.

Our Hotel Services Business

We entered into the hotel industry in 2008 with the establishment of our economy hotel, Cai Yue Hotel, in Shenzhen, managed by our subsidiary, Shenzhen Caiyue Hotel Management Co., Ltd. Since then, we have developed several boutique hotels located within our property projects. We have cooperated with well-known international hotel management groups in managing our hotels. For example, in October 2007, we entered into a supporting and consulting services agreement with C.T.E.W. in which C.T.E.W. provided consulting and technical support services in our development of the boutique hotel in Chengdu Hailun Plaza (成都喜年廣場), now named Rhombus Fantasia Chengdu Hotel (花樣年•隆堡成都酒店), as well as a hospitality management contract with Rhombus, a subsidiary of C.T.E.W., for Rhombus to manage the hotel, which began trial operation in March 2012 and commenced formal operation in December 2012. We have also entered into agreements with affiliates of Starwood Hotels & Resorts Worldwide, Inc. in relation to development consulting services, system licensing, and hotel operating services for several of our hotels in development. We believe our cooperation with well-known international hotel management groups will help drive the development of our hotel service operations and help build our own professional hotel management team and professional hotel construction team. We have also established our own hotel management subsidiaries, including Shenzhen Fantasia Hotel management Co., Ltd., to manage certain of our boutique hotels, with a view to build boutique hotel brands with unique characteristics. We have established our private boutique brand of "U" hotels with the commencement of operations of our Shenzhen U Hotel in February 2012, and commenced trial operation of another private label "HYDE" hotel located in Chengdu in January 2013, which is a four-star hotel which offers a full range of business and leisure facilities.

In 2012, Rhombus Fantasia Chengdu Hotel was awarded "Top 10 Newly Opened Hotels in China" (中國十佳最新開業酒店大獎) from the 2012 China Hotel Starlight Awards (中國酒店星光大獎). The brand "U Hotel" was awarded 2012 and 2013 China Chained Boutique Hotel Brand with the Most Development Potential" (2012及2013年度中國最具發展潛力精品連鎖酒店品牌) at the 9th Golden Pillow Award of China Hotels (中國酒店金枕頭獎) and the "2013 Most Progressive Hotel Brand" (2013中國最具發展潛力酒店品牌) at the 9th China Hotel Starlight Awards.

The table below sets forth certain information relating to our hotels as of December 31, 2014:

Hotel name	City	Positioning	Actual or estimated hotel floor area (square meters)	Actual or estimated number of rooms	Type of premises	Management Company	Operating progress	Actual or estimated commencement date
Hyde Hotel Yixing . . .	Yixing	Holiday	18,173	220	Self-owned/ Leased	Shenzhen Fantasia Hotel Management Company Limited	In operation	October 2010
Grande Valley Hotel . .	Chengdu	Holiday	16,511	144	Leased	Shenzhen Fantasia Hotel Management Company Limited	In operation	April 2011
Rhombus Fantasia Chengdu Hotel . . .	Chengdu	Five-star	20,536	185	Self-owned	Rhombus (HK) Management Limited	In operation	March 2012
U Hotel Shenzhen . . .	Shenzhen	Boutique	7,581	109	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	January 2012
Hyde Hotel Junshan . .	Chengdu	Holiday	10,800	68	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	February 2013
U Hotel Tianjin	Tianjin	Boutique	8,697	122	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In development	December 2013
U Hotel Chengdu . . .	Chengdu	Boutique	8,255	132	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In development	March 2014
Four Points by Sheraton Guilin Lingui	Guilin	Five-star	28,554	242	Self-owned	Starwood Asia Pacific Hotels & Resort Pte Ltd.	In development	October 2014
Four Points by Sheraton Chengdu Pujiang Resort . . .	Chengdu	Five-star	33,384	277	Self-owned	Starwood Asia Pacific Hotels & Resort Pte Ltd.	In development	May 2015
Four Points by Sheraton Chengdu Hi-Tech Zone	Chengdu	Five-star	43,654	281	Self-owned	Starwood Asia Pacific Hotels & Resort Pte Ltd.	In development	November 2015
U Hotel Ningbo	Ningbo	Boutique	11,407	88	Leased	Shenzhen Fantasia Hotel Management Company Limited	In operation	August 2013
Qu Garden Shenzhen .	Shenzhen	Club	1,520	5	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	March 2013
Luhu Club House Guilin	Guilin	Club	5,133	3	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In development	July 2014
			205,872	1,874				

Properties Used or Occupied by Us

Our corporate headquarters are located at Block A, Shenzhen Funian Plaza, Intersection of Shihua Road and Zijing Road, Futian Free Trade Zone, Shenzhen 518048, with a GFA of approximately 4,050 square meters. Such property is owned by Shenzhen Fantasia Investment Development Co. Limited, a project development company in which we own 100% equity interest. In addition, we currently own and lease a number of other properties that are used as our offices.

As of December 31, 2014, properties owned and used by us had an aggregate GFA of approximately 95,107 square meters and properties that we leased had an aggregate GFA of approximately 135,576 square meters, with an aggregate GFA of approximately 135,281 square meters located in the PRC and an aggregate GFA of approximately 295 square meters located in Hong Kong. We lease such properties primarily as offices of the local branches of our subsidiaries and staff dormitories of our employees.

Intellectual Property

We place significant emphasis on developing our brand image and resort to extensive trademark registrations to protect all aspects of our brand image. We have registered in the PRC and in Hong Kong the trademarks of “花樣年” and “花樣年FANTASIA” to protect our corporate name in Chinese and English. In addition, we have registered trademarks and trademark registration applications in Hong Kong and the PRC that cover the names of our important subsidiaries and property development projects and services.

We have also registered the domain name of *www.cnfantasia.com* for the website of our Group on the Internet.

Competition

There are many property developers that undertake property development projects in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China and elsewhere in the PRC. Our major competitors include large national and regional property developers, including local property developers that focus on one or more of the regions in which we operate. We endeavor to further strengthen our leading position in these regions. Our competitors, however, may have a better track record, greater financial, marketing and land resources, broader name recognition and greater economies of scale than us in the regions where we operate.

We also face competition for our real estate services businesses from other real estate service providers in China as well as certain international real estate service providers. Competition in the real estate services business is rapidly evolving, highly fragmented and competitive, and our competitors and competitive factors differ depending on the type of services provided and the geographic market in which we provide such services. Compared to property development, real estate services businesses require a smaller commitment of capital resources and have a relatively lower barrier of entry. Our competitors may have more experience and resources than we have.

For more information on competition, see “Risk Factors—Risks Relating to Our Business—We face intense competition with respect to our property development business, property operation services business, property agency services business and hotel services business.”

Insurance

We do not maintain insurance policies for properties that we have delivered to our customers, nor do we maintain insurance coverage against potential losses or damages with respect to our properties before their delivery to customers. In addition, our contractors typically do not maintain insurance coverage on our properties under construction. Based on industry practice in the PRC, we believe that third-party contractors should bear liabilities from tortious acts or other personal injuries on our project sites, and we do not maintain insurance coverage against such liabilities. The construction companies, however, are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have established a set of standards and specifications to be complied with during the construction process. Furthermore, we engage qualified supervision companies to oversee the construction process. Under PRC laws, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that he/she is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we would generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us. To date, we have not

experienced any material destruction of or damage to our property developments nor have any material personal injury-related claims been brought against us.

Our directors believe our insurance policies are adequate and in line with the industry practice in the PRC. However, we may not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See “Risk Factors—Risks Relating to Our Business—We may suffer losses arising from uninsured risks.”

Employees

As of December 31, 2014, we had 24,491 full time employees. The following table provides a breakdown of our employees by responsibilities as of December 31, 2014:

Management	666
Administration	596
Accounting	853
Human Resources	970
Engineering	1,823
Marketing and Sales	1,188
Property, Hotel and Other Management Services . .	<u>18,394</u>
Total	24,491

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 in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

Environmental Matters

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental impact assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. During the course of construction, the property developer must take measures to prevent air pollution, noise emissions and water and waste discharge. In addition, as we contract our construction works to independent third-party contractors and pursuant to the terms of the construction contracts, the contractors and subcontractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority. During construction, our project directors and project management teams will supervise the implementation of the environmental protection measures.

In addition, PRC environmental laws and regulations provide that if a construction project includes environmental facilities (including engineering projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required. Our business is of such a nature that we are not required to construct environmental facilities and, therefore no approval in respect of environmental facilities from the environmental authorities is necessary.

We believe that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. See “Risk Factors—Risks Relating to Our Business—We are subject to potential environmental liability that could result in substantial costs.”

Health and Safety Matters

Under PRC laws and regulations, we, as a property developer, have very limited potential liabilities to the workers on and visitors to our construction sites, most of which rest with our contractors. Under the Construction Law of the People’s Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor. Under the Environmental and Hygienic Standards of Construction Work Site (建築工地現場環境和衛生標準), a contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. To our knowledge, there has been no material non-compliance with the health and safety laws and regulations by our contractors or subcontractors during the course of their business dealings with the Group. During the earthquake that struck Sichuan province in China in May 2008 and in April 2013, neither our Group nor our contractors suffered any loss of lives or injury to our and their respective employees as a result.

In addition, our project directors and project management teams will engage in a weekly safety inspection to ensure the safety of the work environment of our construction sites.

Legal Proceedings

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

REGULATION

I. LEGAL SUPERVISION RELATING TO THE PROPERTY SECTOR IN THE PRC

A. Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法) (the "Urban Property Law") promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised in August 2007, a property development enterprise is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (城市房地產開發經營管理條例) (the "Development Regulations") promulgated by the State Council on July 20, 1998, an enterprise which is to engage in development of property shall satisfy the following requirements: (1) its minimum registered capital shall be RMB1 million; and (2) it shall employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold relevant qualification certificates. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises. The following local regulations apply to our business and operations in the PRC:

- a) The Regulations on Property Developments of Guangdong Province (廣東省房地產開發經營條例) revised by the Standing Committee of Guangdong Provincial People's Congress on September 22, 1997, which stipulate that the self-funded capital of a property development enterprise in the Guangdong Province shall be at least RMB3 million.
- b) The Circular in Respect of the Relevant Rules Governing the Administration of Industrial and Commercial Registration and Qualification of Property Development Entities (關於房地產開發企業工商登記與資質管理有關規定的通知) promulgated by the Construction Bureau of Sichuan Province on September 2, 2004, which states that the minimum registered capital of a property development enterprise shall be RMB5 million.
- c) The Regulations on Property Development Enterprises in Tianjin City (天津市房地產開發企業管理規定) drafted by the Tianjin Construction and Communication Commission and the Tianjin City Administration for Industry and Commerce on December 20, 2010, issued by Tianjin City Government on February 16, 2011 and came into effect on March 1, 2011, which stated that the minimum registered capital of a property development enterprise should be RMB30 million.
- d) The Detailed Rules for the Implementation of the provisions on the Administration of Qualifications of Property Developers of Jiangsu Province (江蘇省實施《房地產開發企業資質管理規定》細則) promulgated by the Construction Bureau of Jiangsu Province on August 6, 2001, which stipulate that the minimum registered capital of a property development enterprise established in Yixing City shall be RMB4 million.
- e) The Forwarding Notice of the Ministry of Construction Regulations regarding the Administration of Qualifications of Property Developers (關於轉發建設部《房地產開發企業資質管理規定》的通知), issued by the Beijing Municipal Commission of Housing and Urban Development Construction on September 4, 2000, which stipulate that the minimum registered capital of a property development enterprise in Beijing shall be RMB10 million.
- f) There is no local regulation for Yunnan Province specifying more stringent requirements on the amount of registered capital and the qualifications of professionals of a property development enterprise.

Pursuant to the Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its Business License (營業執照).

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding affordable residential housing projects) has been increased from 20% to 35%.

However, on May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) and lowered the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses from 35% to 20% and, for other property projects, to 30%.

B. Foreign-Invested Property Enterprises

Under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) amended jointly by MOFCOM and the NDRC on March 10, 2015 which took effect from April 10, 2015, foreign investment in enterprises engaged in large theme parks falls within the category of industries in which foreign investment is restricted, while foreign investment related to other kinds of real estate development falls within the category of industry in which foreign investment is permitted. Pursuant to the Foreign Investment Industrial Guidance Catalogue, the construction of golf courses falls within the industry category in which the entry of foreign capital is prohibited. Xiehe Golf (Shanghai) Company Limited, a domestic company acquired in 2013 by a domestic company established by one of our foreign invested companies, is engaged in the operation of a golf course, the construction and initial operation of which was completed by the original shareholder. Xiehe Golf (Shanghai) Company Limited has completed the registration of changes to its shareholding with the relevant Commerce and Industrial Bureau.

According to the Catalog of Government Verified Investment Projects (2014 Version) (政府核准的投資項目目錄(2014年本)) promulgated by the State Council on October 31, 2014 and the Administrative Provisions on the Approval and Registration of Foreign-Invested Projects (外商投資項目核准和備案管理辦法) promulgated by NDRC as effective from June 17, 2014 and amended on December 27, 2014, foreign investment in real estate within the restricted category shall be approved by the development and reform authority at provincial level and the other foreign investments in real estate shall be registered with the relevant local authorities.

Foreign invested property enterprises can be established in the form of a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly foreign-owned enterprise. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which a Certificate of Approval for a Foreign-Invested Enterprise (外商投資企業批准證書) will be issued.

On July 11, 2006, the MOC, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly promulgated the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見) (the "Opinion"). According to the Opinion, the access to and management of foreign capital in the property market must comply with the following requirements:

- a) Foreign entities or individuals who buy property not for their own use in China must apply for the establishment of a foreign-invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign entities and individuals can then carry on their business pursuant to their approved business scope.
- b) Where the total investment amount of a foreign-invested property development enterprise is US\$10 million or more, its registered capital shall not be less than 50 percent of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital shall follow the requirements of the existing regulations.

- c) The commerce authorities and the Administration for Industry and Commerce are responsible for the approval and registration of a foreign-invested property development enterprise and the issuance to the enterprise of a Certificate of Approval for a Foreign-Invested Enterprise (which is only effective for one year) and the Business License. Upon full payment of the assignment price under a land grant contract, the foreign-invested property development enterprise should apply for the land use rights certificate in respect of the land. With such land use rights certificate, it can obtain a formal Certificate of Approval for a Foreign-Invested Enterprise from the commerce authorities and an updated Business License.
- d) Transfers of projects or shares in foreign-invested property development enterprises or acquisitions of domestic property development enterprises by foreign investors should strictly follow relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (1) a written undertaking of fulfillment of the contract for the assignment of State-owned land use rights; (2) a construction land planning permit and construction works planning permit; (3) land use rights certificate; (4) documents evidencing the filing for modification with the construction authorities; and (5) documents evidencing the payment of tax from the relevant tax authorities.
- e) When acquiring a domestic property development enterprise by way of share transfer or otherwise, or purchasing shares from Chinese parties in a Sino-foreign equity joint venture, foreign investors should make proper arrangements for the employees, assume responsibility for the debts of the enterprise and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, those with unsound financial track records, or those that have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, The General Office of MOFCOM promulgated the Circular on the Thorough Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》的通知) (the “Circular”). The Circular not only reiterates relevant provisions on foreign investment in the real estate industry as prescribed in the Opinion, but also sets forth the definition of Real Estate FIE as a foreign invested enterprise (FIE) which carries out the construction and operation of a variety of buildings such as ordinary residences, apartments and villas, hotels (restaurants), resorts, office buildings, convention centers, commercial facilities, and theme parks, or, undertakes the development of land or a whole land lot in respect of the abovementioned projects.

On September 1, 2006, the MOC and the SAFE jointly issued the Opinions on Regulating the Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), which was amended on May 4, 2015, providing regulations on real estate development enterprises mainly as follows:

- a) For real estate development enterprises, the current account for foreign exchange shall not maintain property purchase payments remitted by residents of Hong Kong, Macau and Taiwan and overseas Chinese expatriates;
- b) Where the state-owned land use rights certificate is yet to be obtained, or the capital fund of development project has not reached 35 percent of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas;
- c) Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, acquire a Chinese party’s shares within an equity joint venture, such foreign entities and individuals must be capable of making a one-time payment in relation to the transfer consideration, otherwise SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which stipulates that:

- a) Strict control should be imposed on the acquisition of or investment in domestic real estate enterprises by way of return investment. Foreign investors shall not acquire control of domestic enterprises for the purpose of circumventing the approval procedure related to Real Estate FIE;
- b) In a Real Estate FIE, Chinese parties shall not, explicitly or implicitly provide any warranties with regard to allocating fixed returns to any party;
- c) A Real Estate FIE incorporated upon approval by local approval bodies should be registered with MOFCOM on a timely basis; and
- d) Foreign exchange administration bodies and designated foreign exchange banks shall not process sale and settlement of foreign exchange for capital account items for Real Estate FIEs that fail to complete filing procedures with MOFCOM or to pass joint inspection for foreign invested enterprises.

In addition, according to the Circular on Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) promulgated by the General Department of SAFE on July 10, 2007, (1) local branches of SAFE shall not process any foreign debt registration application or conversion of foreign debt for any Real Estate FIE (including in respect of both newly incorporated FIREEs and FIREEs that have registered increased capital contributions) that obtained a Certificate of Approval for a Foreign-Invested Enterprise from local commerce authorities and completed the registration with a MOFCOM on or after June 1, 2007; (2) SAFE branches shall not process foreign exchange registration (or alterations to registration) or, sale and settlement of foreign exchange for capital account items, for any FIREE that has obtained a Certificate of Approval from local commerce authorities, but that has not registered with MOFCOM on or after June 1, 2007. The aforesaid SAFE Circular was abolished as of May 13, 2013.

On July 1, 2008, MOFCOM implemented the Circular on the Proper Handling of the Record Filing for Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知), delegating provincial-level commerce authorities the authority to register matters concerning foreign investment in real property projects after approving the legality, authenticity and accuracy of the project.

In accordance with a circular promulgated by SAFE in August 2008 with respect to the administration of conversion into Renminbi of foreign exchange capital contributions to foreign invested enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contributions can only be applied to activities that come within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On June 10, 2010, MOFCOM issued the Notice Relating to Decentralizing the Examination and Approval Power for Foreign Investment (商務部關於下放外商投資審批權限有關問題的通知), which stipulates that for establishment of an FIE with total investment of not more than USD300 million under the encouraged and permitted categories and USD50 million under the restricted category as specified in the Foreign Investment Industrial Guidance Catalogue, MOFCOM's branches at the provincial level shall be in charge of examination and approval.

On November 22, 2010, the General Office of MOFCOM issued the Notice on Strengthening the Administration of Approval and Record Filing in respect of the Foreign-invested Real Estate Industry (商務部辦公廳關於加強外商投資房地產業審批備案管理的通知) which aimed to implement the relevant rules promulgated by the State Council and to ensure effective control of the real estate industry. MOFCOM addressed the following issues in the notice:

- a) Local departments of commerce shall strengthen supervision on property projects with an inflow of foreign exchange. When reviewing materials on record, local departments of

commerce shall focus on reconfirming the integrity and accuracy of documentation relating to land, including materials proving the transfer of land use rights, such as the land use rights transfer contract and the land use rights certificate;

- b) Local departments of commerce shall, together with relevant local authorities, strengthen the supervision on cross-border investment and financing activities to prevent risks arising from the real estate market and control speculative investments. PRC property enterprises established with offshore capital shall not conduct arbitrage activities through the purchase and sale of real estate property which is under construction or completed; and
- c) Local departments of commerce shall further strengthen the approval, supervision and statistics verification of the establishment and/or capital increase of real estate enterprises by way of merger and acquisition, investment by equity and so on.

C. Qualifications of a Property Development Enterprise

(i) Classifications for the qualifications of property development enterprises

Under the Development Regulations, a property development enterprise must report its establishment to the governing property development authorities in the location of the registration authority within 30 days of receiving its Business License. The property development authorities shall examine applications for classification of a property development enterprise's qualification by considering its assets, professional personnel and industrial achievements. A property development enterprise shall only engage in property development projects that come within the scope of its approved qualification.

Under the Provisions on the 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 MOC and implemented on March 29, 2000, a property development enterprise shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification shall be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to both preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property development enterprise, after it reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days. The Provisional Qualification Certificate shall be effective for one year from its issuance and, depending on the actual business situation of the enterprise, may be extended by the property development authority for a period of no longer than two years. A property development enterprise shall apply with the property development authority for qualification classification within one month of expiry of the Provisional Qualification Certificate.

(ii) The business scope of a property development enterprise

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property development enterprise may undertake a property development projects throughout the country without any limit on the scale of the project. A property development enterprise of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters and the

specific scopes of business shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

(iii) The annual inspection of a property development enterprise's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property development enterprise shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property development enterprise's qualification. Procedures for annual qualification inspection for developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

D. Development of a Property Project

(i) Land for property development

Under the Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Land-Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Provisional Regulations on Grant and Transfer") promulgated by the State Council on May 19, 1990, a system of assignment and transfer of the right to use State-owned land is adopted. A land user shall pay an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on the Grant and Transfer and the Urban Property Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the assignment of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for property development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the MLR on May 9, 2002, implemented on July 1, 2002, and as amended under the new name of the Rules Regarding the Grant of State-Owned Construction Land Use Rights by way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) which took effect from November 1, 2007, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of tender, public auction or listing-for-sale. A tender of land use rights means the relevant land administration authority (the "assignor") issues a tender announcement inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the tenders. An auction for land use rights is where the assignor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. A listing-for-sale is where the assignor issues a listing-for-sale announcement specifying the land grant conditions and inviting bidders to list their payment applications at a specified land exchange within a specified period. The procedures for tender, auction and listing-for-sale may be summarized as follows (for the purpose of the summary, the participant in a tender, auction or listing for sale is referred to as a "bidder"):

- a) The land authority under the government of the city and county (the "assignor") shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirements for bidders, the methods and criteria for selection of the winning bidder and certain conditions such as the deposit for the bid.
- b) The assignor shall conduct a qualification verification of the bidding applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.

- c) After determining the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the assignor and the winning bidder shall then enter into a confirmation. The assignor should refund the other applicants their deposits.
- d) The assignor and the winning bidder shall enter into a contract for the assignment of State owned land use rights at a time and venue set out in the confirmation. The deposit for the bid paid by the winning bidder will be deemed as part of the assignment price for the land use rights.
- e) The winning bidder should apply to register the land registration after paying off the assignment price. The people's government at the municipality or county level or above should issue the land use rights certificate.

On June 11, 2003, the MLR promulgated the “Regulations on the Grant of State-owned Land Use Rights by Agreement” (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights for business purposes including commercial, tourism, entertainment and residential commodity properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of the Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) promulgated by the MLR on September 4, 2003, from the day of issuance of the Notice, the assignment of land use rights for luxurious commodity houses shall be stringently controlled, and applications for land use rights for villas are to be stopped. On May 30, 2006, the MLR issued the Urgent Notice on Rigorously Strengthening the Administration of Land (關於當前進一步從嚴土地管理的緊急通知). The Notice stated that land for property development must be granted by competitive bidding, public auction or listing-for-sale; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas ceased to have effect from the date of the Notice.

Under the Urgent Notice of Rigorously Strengthening the Administration of the Land, the land authority should rigidly execute the “Model Text of the State-owned Land-Use Rights Grant Contract” and “Model Text of the State-owned Land-Use Rights Grant Supplementary Agreement (for Trial Implementation)” jointly promulgated by the MLR and the SAIC. The documents relating to the assignment of land should specify the requirements for planning, construction and land use such as relevant restrictions on the dwelling size and plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the contract for the assignment of the land.

On September 28, 2007 the MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) which came into force on November 1, 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of State-owned land use rights by competitive bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing for sale.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by the MOF, the PBOC and the MLR on November 19, 2007, define “reserved land” and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, the measures make it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under utilized.

On May 23, 2012, the MLR and the NDRC jointly issued the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Version) and the Catalog for Prohibited Land Use

Projects (2012 Version) (關於發佈實施《限制用地項目目錄(2012年本)》和《禁止用地項目目錄(2012年本)》的通知). In accordance with the circular, the MLR and the NDRC have restricted the area of land that may be granted by local governments for development of housing to seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities; projects for the development of villas have been prohibited.

In November 2009, the MOF, the MLR, 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 Grants (關於進一步加強土地出讓收支管理的通知). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a contract for the assignment of land, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development (關於加強房地產用地供應和監管的有關問題的通知) (the “Notification”) which adopted measures to improve the regulation of land for real estate development. These include measures to: improve the preparation and implementation of land supply plans; guarantee the supply of land for subsidized community housing developments; improve the regime of public tender, auction and listing-for-sale of land use rights; enhance the supervision on the use of land; disclose to the public information on the supply and assignment of land and the status of the construction project on the land; and conduct special inspections on outstanding problems related to land use.

Pursuant to the Notification, the administrative authorities for land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the relevant administrative authority for land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons for the delay to the respective administrative authority for land and resources no later than 15 days prior to such date. A developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new land grant transactions for a minimum of one year. Additionally, land used for developing subsidized community housing and small-to-medium-size self-use residential commodity housing, as well as for the redevelopment of run-down and substandard housing shall account for not less than 70% of the total land supply for residential property development. The lowest land premium for the assignment of land use rights shall not be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. The contract for the assignment of land shall be executed in writing within ten days after the deal is reached, the down payment of the land assignment price, which shall not be less than 50% of the full land assignment price, shall be paid within one month after the contract for the assignment of land is executed, and the land assignment price shall be paid in full no later than one year after the contract for the assignment of land is executed. A property development enterprise that defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of the contract for the assignment of land shall be banned from participating in any transactions for the assignment of land for a specified period.

The National People’s Congress adopted the PRC Property Rights Law (中華人民共和國物權法) in March 2007, which became effective on October 1, 2007. According to the Property Rights Law, when the term of the rights to use construction land for residential (but not other) property purposes expires, it will be renewed automatically. The PRC Property Rights Law further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

(ii) Development of a property project

(a) Commencement of development with respect to a property project and idle land

Under the Urban Property Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract

for the assignment of land. According to the Measures on Disposing Idle Land (閒置土地處置辦法) promulgated by the MLR on April 28, 1999, and as amended on June 1, 2012 with effect from July 1, 2012, a parcel of land can be defined as idle land under any of the following circumstances:

- a) the development of and construction on the land have not begun within a period of one year from the date stipulated in the land grant contract or in the “Approval Letter for Land Allocation;” or
- b) the development of and construction on the land has begun, but the area under construction is less than one third of the total area to be developed or the invested amount is less than 25% of the total amount of investment; and the development and construction have been continuously suspended for more than one year.

The municipality or county-level municipality administrative authority shall, with regard to an identified piece of idle land, give notice to the land user containing proposals on dealing with the idle land, including, (1) extending the time period for development and construction (provided that it shall not be longer than one year); (2) changing the use and planning conditions of the land, and require the land user to fulfill the relevant procedures for the new use or planning; (3) arranging for temporary use for a period not longer than two years; (4) reaching a buy-back agreement with the land user; (5) arranging for replacement land for the land user if the delay of construction is due to planning changes by the administrative authority or (6) other measures proposed and implemented by the municipality or county-level administrative authority based on the particular situation.

With respect to land which is obtained by assignment and which is within the scope of city planning, if the construction work has not commenced after one year as of the date stipulated in the assignment contract, a fine for idle land equivalent to 20% of the assignment price may be imposed on the land user. If the construction work has not commenced after two years, the right to use the land may be forfeited to the State without any compensation. However, the above sanctions will not apply when the delay in commencement of construction is caused by force majeure, non-performance by the government, military control, preservation of cultural relics or other acts of government. On September 8, 2007, the MLR promulgated the Notice on Strengthening the Disposal of Idle Land (關於加大閒置土地處置力度的通知) providing that the land subject to transfer shall be made ready for development before its transfer. The notice also prescribed that the State-owned land use rights certificate shall not be issued before the land grant premium has been paid in full, nor shall any certificate be issued separately according to the ratio of part-payment of the land grant premium.

On January 3, 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use (關於促進節約集約用地的通知) (Guo Fa (2008) No. 3), which seeks to:

- a) Examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use. Project designs, construction and approval of construction shall all be subject to stringent land use standards.
- b) Urge all localities to enforce policies for the disposal of idle land. Where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arrangements for its use shall be made; where a piece of land has been idle for one year but less than two years, an idle land charge valued at 20 percent of the land assignment premium shall be levied on the land user.
- c) Vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space.
- d) Strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes. Where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total land premium.
- e) Make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas. Strictly prohibit unauthorized conversion of agricultural land into construction land.

- f) Strengthen supervision and inspection of intensive land use conservation.
- g) Discourage financial institutions from granting loans and providing finance to property development enterprises whose real estate development project is less than one quarter invested, occupies an area less than one third and/or was commenced over one year after the project commencement date, in each case as stipulated in the contract for the assignment of land.

(b) Planning of a property project

According to the Measures for Control and Administration of the Grant and Transfer of the Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOC on December 4, 1992, implemented on January 1, 1993 and amended on January 26, 2011, and the Notice of the Ministry of Construction on Strengthening the Planning Administration of the Grant and Transfer of the Right to Use State-owned Land (建設部關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the MOC on December 26, 2002, after signing the contract for the assignment of land use rights, a property development enterprise shall apply for a project survey and a construction land planning permit from the city planning authority. After obtaining a construction land planning permit, a property development enterprise shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction works planning permit from the city planning authority.

The Urban and Rural Planning Law (城鄉規劃法), promulgated by the Standing Committee of the National People's Congress in October 2007 which became effective in January 2008, as amended on October 23, 2014, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively prevent construction that is in breach of rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project is commenced without obtaining Construction Land Planning Permit, or where Construction Land Planning Permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to conform to the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine totaling between 5% to 10% of the total construction cost may be imposed. Where the construction cannot conform to relevant planning rules, an order for its demolition will be issued or, where demolition is not possible, the property and/or illegal income derived from the property will be confiscated and a fine totaling 10% or less of the construction cost will be imposed.

In November 2009, the Ministry of Housing and Urban-Rural Development and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Implementation of the Special Project to Address Problems Regarding Unauthorized Changes to the Planning and Adjustment of the Floor Area Ratio (關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知) which re-emphasized the need to rectify, investigate and punish property development enterprises which undertake any unauthorized adjustment of the floor area ratio.

(c) Construction of a property project

The Notice Regarding the Strengthening and Regulation of the Management of New Projects (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State Council on November 17, 2007, strictly regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, and strengthens the statistics and information management while intensifying the supervision and inspection of new projects.

(d) Completion of a property project

According to the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管制條例) promulgated by State Council on January 30, 2000, the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法) promulgated by the MOC in April 2000 and as amended and issued with the new name the 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) on October 19, 2009, and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收規定) promulgated by the MOC on December 2, 2013, after the completion of construction of a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus and environmental protection authorities. Thereafter, the property development enterprise shall apply for at the property development authority under the people's government at the county level or above for a certificate of completion. Once the examination has been completed, a Record of Acceptance Examination upon Project Completion (項目竣工驗收報告) will be issued.

According to the Notice on Further Strengthening the Quality Supervision and Management of Construction Projects (關於進一步加強建築工程質量監督管理的通知) promulgated by the MOC on April 13, 2009, the legal regulatory framework and the supervision system in respect of quality supervision and completion acceptance examination shall be further improved.

E. Transfer and Sale of Property

(i) *Transfer of property*

According to the Urban Property Law and the “Provisions on Administration of Transfer of Urban Property” (城市房地產轉讓管理規定) promulgated by the MOC on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring the title to a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: a) the assignment price has been paid in full for the assignment of the land use rights as provided by the contract for the assignment of the land and a land use rights certificate has been obtained; b) development has been carried out according to the contract for the assignment of the land and, in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the contract for the assignment of the land after deducting the time that has been used by the former land user(s). In the event the transferee intends to change the use of the land provided in the original contract for the assignment of the land, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the assignment contract or a new contract for the assignment of the land shall be signed in order to, amongst other matters, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

(ii) *Sale of commodity buildings*

Under the “Regulatory Measures on the Sale of Commodity Buildings” (商品房銷售管理辦法) promulgated by the MOC on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

(a) Permit for Pre-sale of Commodity Buildings

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) (the “Pre-sale Measures”) promulgated by the MOC on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, the pre-sale of commodity buildings shall be subject to a licensing system, and a property development enterprise intending to sell a commodity building before its completion shall register with the property development authority of the relevant city or county to obtain a pre-sale permit. A commodity building may be sold before completion only if: a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; b) a construction works planning permit and construction works commencement permit have been obtained; c) the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and d) the pre-sale has been registered and a pre-sale permit has been obtained.

In addition, according to the Regulations on the Administration of Pre-sale of Commodity Buildings of Guangdong Province (廣東省商品房預售管理條例) promulgated by the Standing Committee of the Guangdong Provincial People’s Congress on July 29, 1998, as amended on October 14, 2000, July 23, 2010, and further amended on September 25, 2014 and the Notice on Adjusting the Regulations on the Provision of Images Depicting the Progress of Construction of Pre-Sale Commodity Building Projects in Guangdong Province (廣東省關於調整商品房預售項目工程形象進度條例的通知) issued by Guangdong Provincial Construction Bureau in January 2001, the following conditions shall be fulfilled for pre-sale of commodity buildings in Guangdong: a) a real property development qualification certificate and a Business License have been obtained; b) the grant fees for land use rights have been paid in accordance with the relevant provisions of the land administration department and the land use rights certificate has been obtained; c) a construction works planning permit and a construction works commencement permit have been obtained, and the construction quality and safety monitoring procedures have been performed; d) the schedule for construction and the timetable for completion have been determined; e) the construction of the basic superstructure and the topping-out have been completed in respect of properties of not more than seven stories (including seven stories), and at least two-thirds of the basic superstructure has been completed in respect of properties of more than seven stories; f) a special property pre-sale account with a commercial bank in the place where the project is located has been opened; g) the pre-sale properties and the land use rights for the project are free from any third party rights; and h) other conditions regulated by laws and regulations.

According to the Rules for the Transfer of Real Estate in the Shenzhen Special Economic Zone (深圳經濟特區房地產轉讓條例) promulgated by the Standing Committee of the Shenzhen Municipal Congress in July 1993 and amended in June 1999, the following conditions shall be fulfilled for the pre-sale of commodity buildings: a) land use rights have been lawfully registered and a real property certificate obtained; b) a construction works planning permit and a construction works commencement permit have been obtained; c) the full assignment price for the land use rights and at least 25 percent of the total project investment of the construction development must have been paid and certified by an accountant; d) the property development enterprise and the financier must have signed an agreement to supervise the receipt of funds from pre-sales; and e) the land use rights must have not been mortgaged or where a mortgage did exist it must have been discharged.

Pursuant to the Implementation Opinion in Respect of Enforcing the Administration of Presales of Urban Commodity Properties (關於加強城市商品房預售管理的實施意見) promulgated by the Construction Commission of Sichuan Province on March 10, 2000, the pre-sale of commodity property in Sichuan Province shall comply with the following conditions: a) all premiums for the assignment of the land use rights (other than land supplied by way of allocation in accordance with the State laws) must

have been paid and the land use rights certificate must have been obtained; b) a construction works planning permit must have been obtained; c) for a commodity property project with six stories or less, construction of the foundation and basic superstructure must have been completed; for a non-residential project with six stories or less and a commodity property project with six stories or more, the construction of the foundation and the first story of the basic superstructure must have been completed; and the foundation and the first six stories of the superstructure works of a project without a basement must have been completed; and d) the works schedule and date of completion delivery have been determined.

According to the Tianjin City Administration Rules for Commodity Housing (天津市商品房管理條例) promulgated on October 24, 2002 and effective from December 1, 2002, the sale of commodity housing includes both pre-sales and post-completion sales. Property development enterprises applying for a permit to sell commodity housing must comply with the following conditions: a) attainment of legal person status and the requisite class of qualifications for property development; b) possession of lawful rights to the use of state owned land; c) examination and approval of an investment plan for the construction of commodity housing, a construction engineering plan and a construction license; d) payment of fees for the completion of basic installations in accordance with relevant laws; e) possession of copies of property management plans for which registration has been completed or signed agreements for future property management arrangements; f) certification from government departments that the commodity housing building development has attained requisite image standards; g) provision of a timetable for the progress of construction and the completion date; and h) provision of a sales plan.

According to the Regulations on Administration of Sales of Urban Commodity Buildings in Jiangsu Province (江蘇省城市房地產交易管理條例) promulgated by the Standing Committee of Jiangsu Provincial People's Congress on February 5, 2002 and as amended on August 20, 2004, the following conditions shall be fulfilled for the pre-sale of commodity buildings: (i) the Business License for an enterprise as a legal person and a real property development qualification certificate have been obtained; (ii) the assignment price for the relevant land use rights has been paid in full and a land use rights certificate has been obtained; (iii) a construction works planning permit and a construction works commencement permit have been obtained; (iv) the funds invested in the development of commodity buildings put to presale represent 25% or more of the total investment in the project and the works schedule and the completion and delivery dates have been determined.

According to the Notice on Strengthening the Administration of Permits for the Pre-Sale of Commodity Housing (關於加強商品房預售許可證管理有關問題的通知), issued by the Beijing Municipal Bureau of Land and Resources on June 18, 2004, the following materials must be presented by a property development enterprise when applying for a pre-sale permit: (i) a Business License; (ii) the requisite qualification certificates for the relevant class of property development enterprise; (iii) a land use rights certificate; (iv) proof of full payment of the land transfer fee; (v) a construction works planning permit issued by the planning authority as well as general layout plans for the project; (vi) a construction works commencement permit; (vii) a copy of the construction contract; (viii) proof from the receiving bank that the funds invested in the development of commodity buildings put to presale represent 25% or more of the total investment in the project; (ix) a pre-sale program as well as building plans for pre-sale commodity units; and (x) certification from a recognized entity that the project complies with relevant standards (where applicable).

According to the Regulations on the Administration of Sales of Urban Commodity Buildings in Yunnan Province (雲南省城市房地產開發交易管理條例), issued by the Standing Committee of Yunnan Province on September 22, 2000, revised on December 2, 2005 and as amended on May 28, 2010, depending on the scale of a construction project, pre-sale permits are issued by the relevant city or county construction administration authority. Funds received through pre-sales must be used for the construction of the project.

(b) Supervision of pre-sale income of commodity buildings

According to the Pre-sale Measures, the income of a property development enterprise from the pre-sale of commodity buildings must be used for the construction of the relevant project. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the relevant property administration authorities.

(c) Conditions of the sale of post-completion commodity buildings

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: a) the property development enterprise shall have a Business License and a qualification certificate of a property development enterprise; b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; c) the enterprise shall have the construction works planning permit and construction works commencement permit; d) the building shall have been completed, inspected and accepted as qualified; e) the relocation of the original residents shall have been completed; f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the Property Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

(d) Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) issued on May 9, 2005:

- a) A buyer of a pre-sold commodity building is prohibited from conducting any further transfer of the commodity building before construction has been completed and a property ownership certificate obtained. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property administration authorities shall not register the application for property ownership.
- b) 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.

(iii) *Mortgages of Property*

Under the Urban Property Law, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas (城市房地產抵押管理辦法) promulgated by the MOC in May 1997 and as amended on August 15, 2001, when a mortgage is lawfully created on a building, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights acquired through means of assignment are being mortgaged, the buildings on the land shall be simultaneously mortgaged. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall at the same time also be mortgaged. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage shall register the mortgage with the property administration authorities at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on property in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original house ownership certificate and then issue a Certificate of Third Party Rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the

registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage after the issuance of certificates evidencing the ownership of the property.

(iv) Leases of buildings

The Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) (the “Leasing Measures”), promulgated by the MOC on December 1, 2010, stipulate that the parties to a housing tenancy shall go through requisite housing tenancy registration formalities with the competent real estate authorities of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant real estate authorities are authorized to impose a fine below RMB1,000 on individuals, and a fine from RMB1,000 to RMB10,000 on other violators who are not natural persons and fail to comply with the regulations within the specified time limit. The Leasing Measures came into effect as of February 1, 2011 and replaced the Measures for Administration of Leases of Property in Urban Areas (城市房屋租賃管理辦法).

F. Property Credit

The PBOC issued the Circular on Further Strengthening the Management of Property Loans (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgages and individual commodity buildings as follows:

- a) Property loans by commercial banks to property development enterprises shall be granted only in respect of a particular item of property development rather than to meet cash flow or other financing demands. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.
- b) Commercial banks shall not grant loans to property development enterprises to pay off land premiums.
- c) Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for an individual home loan for their first residential unit, the minimum first installment remains unchanged at 20%. In respect of a loan application for any additional purchase of a residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans from Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on August 30, 2004, any property development enterprise applying for property development loans shall have at least 35% of the capital required for the development.

According to the Notice of the People’s Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (中國人民銀行關於調整商業銀行住房信貸政策和準備金存款利率的通知) promulgated by the PBOC on March 16, 2005, which took effect from March 17, 2005, in cities and areas where there has been a rapid increase in house prices, the minimum first installment for individual house loans increased from 20% to 30%. Commercial banks can independently determine the particular cities or areas under such adjustment according to the specific situation in different cities or areas.

On May 24, 2006, the State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格的意見). The regulations relating to property credit are as follows:

- a) Strict credit conditions shall be imposed on property development enterprises. In order to suppress the ability of property development enterprises to store up land and housing

resources, commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, such as having a project capital of less than 35%. For property development enterprises that have large volumes of idle land and vacant commodity buildings, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity building that has been idle for three or more years as collateral for loans.

- b) From June 1, 2006, the minimum first installment for individual home loans shall not be lower than 30%. However, considering the demands for housing by the medium and low-income population, the purchase of owner occupied housing with a gross floor area of no more than 90 square meters is still subject to the requirement to provide a deposit of 20%.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market, foreign-invested property enterprises which have not paid up their registered capital, failed to obtain a land use rights certificate, or which have less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises.

On September 27, 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知) (the “Notice”). The Notice puts forward requirements for the purpose of strengthening processes for loan management, including by means of credit checks, monitoring of real estate loans and risk management, in respect of (i) real estate development, (ii) land reserves, (iii) housing consumption and (iv) the purchase of commercial buildings.

Pursuant to the Notice, commercial banks shall not grant loans in any form, to (i) projects where the capital funds (owner’s equity) constitutes less than 35%, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (ii) property development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the “topping out of the main structure” stage. Where an individual purchases his or her first commodity apartment for self residence purpose, (i) if a construction area is below 90 square meters, the minimum first installment shall be fixed at no less than 20%; and (ii) if the construction area is above 90 square meters, the minimum first installment shall be fixed at no less than 30%. Where an individual has purchased a commodity apartment by means of such loan and proceeds to purchase a second (or more) home, the minimum first installment shall be no less than 40% and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during same period and in same bracket. Further, the minimum first installment and the interest rate shall both rise with the increase in the number of homes purchased, with the increased percentage rates to be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the monthly repayments for housing loans shall not exceed 50% of the individual borrower’s monthly income.

In respect of commercial building loans, commercial buildings purchased by loan shall be buildings that have satisfied procedural requirements of completion inspection and acceptance. For such purchase, the minimum first installment shall be no less than 50%, the loan term shall not exceed ten years and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during the same period and in same bracket. Where a loan application is made in the name of a “commercial and residential building,” the minimum first installment shall be no less than 45% and the loan term and interest rate shall be arranged according to relevant regulations.

The Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的補充通知) (the “Supplemental Notice”), jointly issued by the PBOC and the CBRC and dated December 5, 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management, mainly including the following:

- a) Assess the number(s) of housing loan with the borrower’s family as the basic calculation unit.
- b) Stipulate conditions under which the housing loan policy for first home buyers shall serve as the referential basis for bank loans.
- c) Where a family that has already purchased a commodity apartment via housing provident fund makes a housing-loan application to commercial banks, the requirements set forth in the Notice shall be duly satisfied in accordance with the Notice.

As stipulated in the Supplemental Notice, in the event an applicant is found to have presented false information and certifications, all commercial banks shall deem the loan application unacceptable.

Since the second quarter of 2008, the PRC government has implemented a series of policies intended to strengthen and improve the sound development of the real estate market.

On May 26, 2008, the CBRC issued the Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market (Yin Jian Fa No.42[2008]) (關於進一步加強房地產行業授信風險管理的通知). To combat property development enterprises who (i) “falsify mortgages” by using forged property sale contracts; (ii) process “falsified down payments” from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (iii) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market, the Notice requires each commercial bank to:

- a) strictly follow the policies and conditions related to the provision of loans to individuals;
- b) improve the monitoring of the qualifications of borrowers;
- c) rigorously examine the enterprise credit ratings of property development enterprises; and
- d) upon discovering that a property development enterprise has engaged in the “falsification of mortgages,” “falsification of down payments,” “forgery of house prices” or other such behavior, terminate the individual housing loans or development loans extended to such developer. Property development enterprises suspected of committing such crimes shall be referred to the judicial organs for further investigation.

On October 22, 2008, the People’s Bank of China issued the Circular on the Expansion of the Downward Adjustment Range for Interest Rates of Commercial Individual Mortgage Loans and Related Issues (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which decreased the minimum first installment for residential property purchasers to 20% and reduced the minimum mortgage loan rates for such purchases to 70% of the benchmark interest rate starting from October 27, 2008.

On December 20, 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides the following regarding loans for property businesses:

- a) The purchase of regular commodity houses for residential purposes is to be encouraged. In addition to extending favorable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per person floor area is smaller than the local average may buy a second apartment for self residential purposes under favorable loan terms similar to those that apply to first-time buyers. If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks and based on the benchmark interest rate.

- b) The proper financing requirements for property development enterprises should be adhered to. Commercial banks shall increase credit financing services available to ordinary commercial housing construction projects, provide financial support and other related services to property development enterprises engaged in merger and restructuring activities, and support the approval of bond issuances by property development enterprises.

The State Council issued the Notice on Adjusting the Minimum Capital Requirement for Capital Funding for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009, which provides for the reduction of the minimum capital requirement for affordable residential housing projects and regular commodity residential houses from 35% to 20%, and for other property projects to 30%. When providing credit finance support and services, financial institutions shall determine, at their own discretion, whether to grant a loan and the amount of the loan having regard to the minimum capital requirement as determined by the state.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing too rapidly in Certain Cities (國務院關於堅決遏制部分城市房價過快上漲的通知), pursuant to which the State Council raised the minimum first installment for second home purchases to 50% and set a minimum 30% first installment on first homes with a GFA of more than 90 square meters. Further, the notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of PBOC benchmark lending rate; and Interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially.

On September 29, 2010, the PBOC and the CBRC issued the Notice on Relevant Issues Relating to the Improvement of Differential Housing Loan Policy (關於完善差別化住房信貸政策有關問題的通知), which, among other things:

- a) prohibits commercial banks from providing housing mortgages to any members of a family unit purchasing their third or subsequent residential house or non-local residents who fail to provide one year or longer worth of local tax payment certificates or social insurance payment certificates;
- b) prohibits commercial banks from granting or extending loans to property developers that violate laws and regulations such as: (i) holding idle land; (ii) changing the land use; (iii) delaying the commencement and completion of development; and (iv) intentionally holding properties for future sale for the purpose of new property development;
- c) increases the minimum down payment to at least 30% of the purchase price of the property.

According to Notice of Individual Housing Loan Policies (關於個人住房貸款政策有關問題的通知) promulgated joint by the PBOC, the MOHURD and the CBRC on May 30, 2015, where the household of a resident who owns one home of which relevant housing loan has not been settled files a new application for a commercial individual housing loan for purchasing an ordinary home to be used as its owner's residence for the purpose of improving its living conditions, the minimum first installment for the second ordinary property is not less than 40%. Where the household of a worker who pays housing provident fund contributions uses a housing provident fund commission loan to purchase the first ordinary home to be used as its owner's residence, the minimum first installment is 20%; where the household of a worker who owns one home of which relevant housing loan has been settled files a new application for a housing provident fund commission loan for purchasing an ordinary home to be used as its owner's residence for the purpose of improving its living conditions, the minimum first installment is 30%.

G. Insurance of a Property Project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

H. Environmental Protection

Pursuant to the requirements of relevant laws and regulations such as the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People's Congress in September 2003, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council in November 1998, property development enterprises and construction enterprises must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also comply with the appraisal documents relating to the impact on the environment and implement the environmental protection measures set out in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

Pursuant to the Administrative Regulations for the Environmental Protection of Construction Projects (建設項目環境保護管理條例) promulgated by the State Council on November 29, 1998 which took effect from the same day, and the Administrative Measures for the Examination and Approval of Environmental Protection Facilities of Construction Projects (建設專案竣工環境保護驗收管理辦法) promulgated by Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) on December 27, 2001 which took effect from February 1, 2002 and was revised on December 22, 2010, and the Law of the People's Republic of China on Evaluation of Environmental Effects (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the National People's Congress on October 28, 2002 which took effect from September 1, 2003, enterprises are required to engage institutions with corresponding environmental impact assessment qualifications to provide environmental impact assessment services and reports for submission to the competent environmental protection administrative authorities. Construction work may only be commenced after such an assessment is submitted to and approved by the environmental protection administrative authority. The construction of pollution prevention and control facilities in a construction project must be designed, constructed and commenced simultaneously with the main facility. Provisions on the Graded Examination and Approval of Environmental Impact Assessment Documents of Construction Projects (建設專案環境影響評價檔分級審批規定) promulgated by the Ministry of Environmental Protection of the PRC, which took effect from March 1, 2009 further classified the construction projects whose environmental impact assessment shall be submitted to and approved by the Ministry of Environment and its local counterparts at provincial level. For those approvals made by lower environmental authorities in respect of construction projects that should have been submitted for approval to a higher competent environmental authority, the higher competent authority may revoke the approval made by such lower authority.

I. Construction Safety

Under relevant laws and regulations such as the Laws for Safe Production in the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress in November 2002 and as amended on August 27, 2009 and August 31, 2014, which took effect from December 1, 2014, and the Regulations of the Construction Safety of Shenzhen Special Economic Zone (深圳經濟特區建設工程施工安全條例) promulgated by the Standing Committee of the People's Congress of Shenzhen in February 13, 1998 and amended on June 25, 2004, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the People's Republic of China (中華人民共和國建築法) promulgated by the Standing Committee of the National People's Congress on November 1, 1997 and as amended on April 22, 2011, the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

J. Major Taxes Applicable to Property Development Enterprises

(i) Income tax

According to the Income Tax Law of The People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外商企業所得稅法) which was promulgated by National People's Congress on April 9, 1991 and implemented on July 1, 1991 and its detailed rules promulgated by State Council on June 30, 1991, the income tax on enterprises with foreign investment was computed on the taxable income at the rate of 30%, and local income tax was computed on the taxable income at the rate of 3%.

Pursuant to the Provisional Regulations of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例實施細則) issued by the MOF on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises was 33%.

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the National People's Congress on March 16, 2007 and enforced from January 1, 2008 onwards, a unified income tax rate of 25% is applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. The Income Tax Law of The People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外商企業所得稅法) and the Provisional Regulations of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例) and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例實施細則) were thereby annulled.

The EIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually be transitioning to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the Circular to Implement the Transition Preferential Policies for the Enterprise Income Tax (關於實施企業所得稅過渡優惠政策的通知), under which, for those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transition income tax rate should be 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively.

Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% enterprise income tax rate as to their global income.

According to the Implementation Rules of the PRC on the Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 which became effective from January 1, 2008, a reduced income tax rate of 10% is applicable to any dividends payable to non-PRC enterprise investors from FIEs.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, or the Avoidance of Double Taxation Agreement, dividend payments to shareholders in Hong Kong would be withheld at a rate of 5% if their investment ratio in invested entities in China is above 25%, or 10% if their investment ratio in invested entities in China is below 25% and certain other conditions are met.

On April 11, 2008, the State Administration of Taxation issued the Notice of Prepayment of Corporate Income Tax of Real Estate Development Enterprises (關於房地產開發企業所得稅預繳問題的通知) amended on January 4, 2011, requiring real estate developers to prepay enterprise income tax every quarter (or month) according to their current, actual profit. Under this notice, for income generated from pre-sale (before completion of construction) of buildings for residential or commercial use or other kinds, the tax shall be prepaid in the amount of the estimated quarterly or monthly profit calculated on the preset estimated profit rate, which shall be adjusted according to the actual profit after completion of construction of the buildings and settlement of the taxable cost.

(ii) *Business 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 on December 13, 1993, amended on November 5, 2008, and implemented on January 1, 2009, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the MOF on December 25, 1993 and amended and implemented on January 1, 2009, the tax rate applicable to the transfer of real properties, their superstructures and attachments is 5%.

In accordance with Notice on the Adjustment of Business Tax for the Transfer of Individual Homes (關於調整個人住房轉讓營業稅政策的通知) promulgated by the MOF and the SAT on March 30, 2015, and took effect from March 31, 2015, individuals who purchased their house for self-residential purposes

may, two or more years after the purchase, resell their house without paying business tax. Individuals who have owned their self-residential house for less than two years shall pay business tax on the full sale price. Individuals who have purchased their house for any purpose other than self-residential shall, if they have owned it for two years or more, pay business tax on the net profit.

(iii) Land appreciation tax

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the "Land Appreciation Tax Provisional Regulations") which were promulgated on December 13, 1993 and came into effect on January 1, 1994 and amended on January 8, 2011, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) (the "Land Appreciation Tax Detailed Implementation Rules") which were promulgated and came into effect on January 27, 1995, any capital-gain from a transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. Deductible items include the following:

- a) amount paid for obtaining the land use rights;
- b) costs and expenses for the development of the land;
- c) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- d) related tax payable for the transfer of property; and
- e) other deductible items as specified by the MOF.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994 (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the MOF and the SAT on January 27, 1995, land appreciation tax shall be exempted under any of the following circumstances:

- a) The construction of ordinary standard residences for sale (i.e. the residences built in accordance with the local standards for residential properties. Deluxe apartments, villas, resorts etc. do not come under the category of ordinary standard residences) where the appreciation amount does not exceed 20% of the sum of deductible items;
- b) property is repossessed according to laws due to the construction requirements of the State;
- c) due to redeployment of work or improvement of living standard, individuals transfer self used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;
- d) transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;
- e) if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred for the first time within 5 years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase Agreement. The tax-free period may be prolonged subject to the approval of the MOF and the SAT for particular property projects which are approved by the government for the development of the whole lot of land and long-term development and in which the properties are transferred for the first time after the 5-year tax-free period.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not require property development enterprises to declare and pay the land appreciation tax. Accordingly, the MOF, the SAT, the MOC and the MLR separately and jointly issued several notices to restate the following: after the land grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay land appreciation tax in accordance with the amount as calculated by the tax authority. For those who fail to acquire proof of payment or exemption from land appreciation tax from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The SAT also issued the Notice on the Strict Handling of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值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 land appreciation tax collection; build up a sound taxpaying declaration system for land appreciation tax; and modify the methods of pre-levying tax for the pre-sale of properties. The Notice also pointed out that for property development contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the policy for exemption from land appreciation tax exemption for properties that are transferred for the first time is no longer in effect and the tax shall be levied again. This requirement is restated in the Notice on Strengthening of Administration of the Collection of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) and the Notice on Further Strengthening the Administration of the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on August 2, 2004 and August 5, 2004, respectively, by SAT. These two Notices also required that system for the declaration of land appreciation tax and the registration of the sources of the land appreciation tax should be further improved.

On March 2, 2006, the MOF and the SAT issued the Notice on Several Points on Land Appreciation Tax (關於土地增值稅若干問題的通知) to clarify relevant issues regarding land appreciation tax as follows:

- a) Standards for the transfer of ordinary standard residential houses. Where any development project includes ordinary residential houses as well as other commercial houses, the amount of land appreciation shall be verified for both commercial and residential houses, respectively. No adjustment shall be retroactively made to any application for tax exemption for ordinary standard residential houses that were filed with the tax authority at the locality of the property prior to March 2, 2006, especially for ordinary standard residential houses which had been exempted from land appreciation tax as according to standards determined by the people's government of a province, autonomous region or municipality directly under the Central Government.
- b) Standards for the collection and settlement of land appreciation tax:
 - (i) All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.
 - (ii) As to any tax that fails to be collected in advance within the advance collection term, overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the provisions of relevant tax collection and administration law.
 - (iii) As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of

the saleable floor area, the tax authority may require the relevant taxpayer to settle its land appreciation tax obligation for the transferred property according to the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning.

- (iv) As to any investment that uses land (property) as payment for the purchase of shares, where an enterprise involved in the investment engages in property development or where any other property development enterprise invests in commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise.

On December 28, 2006, the SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局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 development enterprise shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property development enterprise transfers the whole uncompleted development project; or (iii) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the LAT if any of the following criteria is met: (i) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the property development enterprise; (ii) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (iii) the property development enterprise applies for cancelation of the tax registration without having settled the relevant LAT; or (iv) other conditions stipulated by the tax authorities.

The Notice also indicated that if any of the following circumstances applies to a property development enterprise, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account books required by law or administrative regulation; (ii) destroying account books without authorization or refusing to provide taxation information; (iii) the accounts have not been properly maintained or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the amount of deductible items; (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 the local situation.

On May 12, 2009, the SAT issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值稅清算管理規程) (the “Settlement Rules”), which became effective on June 1, 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of the settlement of LAT to be carried out by relevant tax authorities.

On May 19, 2010, the State Administration of Taxation issued the Circular on Relevant Issues of the Settlement of Land Appreciation Tax (國家稅務總局關於土地增值稅清算有關問題的通知), which details relevant issues concerning income verification about the settlement of land appreciation tax, and the calculation of applicable exemption under certain circumstances.

On May 25, 2010, the State Administration of Taxation promulgated the Notice on Strengthening the Collection of Land Appreciation Tax (國家稅務總局關於加強土地增值稅徵管工作的通知) and imposed

further requirements on the collection of LAT. This notice provides that, except for indemnificatory housing, the minimum LAT prepayment rate shall be no less than 2% for properties in the eastern region of the PRC, no less than 1.5% for properties in the central or northeast region of the PRC and no less than 1% for properties in the western region of the PRC. The LAT prepayment rates will be determined by the local authorities based on the different types of properties in the locality.

In accordance with the “Guangdong Regulations on the Levy and Collection of Land Appreciation Tax” (廣東省土地增值稅徵收管理辦法), property development enterprises in Guangdong should calculate the amount of LAT on the basis of the initial capital cost of the project or the overall capital cost of the project. For pre-sales of commodity houses, it is permissible to pay LAT in advance based on a calculation of the price agreed between the parties (as evidenced in the pre-sale contract) and with reference to the construction size of the house. Once the project is completed, an additional payment towards or a partial refund of the original advance payment may be necessary once the amount of LAT is finally determined.

In accordance with the Notice from Shenzhen Local Taxation Bureau in respect of Adjustment regarding the Advanced Levy and Collection Rate of Land Appreciation Tax (深圳市地方稅務局關於調整我市增值稅預徵率的公告), the deemed rate of LAT is 2% for common housing, 4% for villas and 3% for all other types of properties.

In Sichuan, the levy and collection of LAT is governed by the “Sichuan Local Tax Administration Provisional Regulations on the Levy and Collection of Land Appreciation Tax” (四川省地方稅務局土地增值稅徵收管理暫行規定) promulgated on October 16, 1995 and as amended on June 30, 2010. In accordance with the provisional regulations, a person who is engaged in the development and sale of property must pay LAT in advance. LAT shall be levied and collected in advance on income connected with the transfer of properties prior to their completion. Within 90 days of settling accounts after the completion of project, property development enterprises must submit an audit report to the taxation bureau. Upon verification by the taxation bureau of the amount of LAT already paid, a supplemental payment or a partial refund of LAT may be applicable.

According to the “Tianjin Taxation Bureau Notice on Strengthening the Levy and Collection of Land Appreciation Tax” (天津市地方稅務局關於加強天津市土地增值稅徵收管理的公告) promulgated on January 19, 2011, in respect of commodity houses, the rate of LAT is based on different sales prices to restrict the development of high-level houses. A rate of 2% applies to the properties priced at less than or equal to RMB20,000 per square meter, a rate of 3% applies to the properties priced from RMB20,000 to RMB30,000 per square meter, and a rate of 5% applies to properties priced higher than RMB30,000 per square meter.

The Notice on the Administration of the Levy and Collection of Land Appreciation Tax (關於土地增值稅徵收管理有關問題的通知), promulgated by the Beijing Local Taxation Bureau on December 19, 2006, states that as of January 1, 2007 and amended on September 26, 2011, the contents that LAT at the flat rate of 1% shall be pre-collected in respect of all revenue received by a property development enterprise from pre-sales and sales of commodity buildings, unless such commodity buildings are government approved low cost housing or fixed price housing has been canceled.

According to the Notice on Strengthening the Administration of the Levy and Collection of Land Appreciation Tax (關於進一步加強土地增值稅徵收管理有關問題的通知) issued by the Yunnan Provincial Tax Bureau on August 25, 2005, a pilot program for the pre-collection of LAT in Kunming, Zhaotong, Qujing, Wenshan, Chuxiong, Dali, Baoshan and Lincang commenced on July 1, 2005. Ordinary houses are subject to LAT at a rate between 0.5% and 1%; office buildings, commercial spaces, villas, holiday resorts, high-end apartments and other such commodity buildings are subject to LAT at a rate between 1% and 2%; the transfer of land use rights over land for development is subject to LAT at a rate between 1.5% and 3%. Upon the completion of the construction and sales of a particular project, the property development enterprise must apply to the relevant local taxation bureau for a settlement of LAT, at which stage the developer will be liable to pay any amount of outstanding LAT or, as the case may be, entitled to a refund of excess LAT.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and amended on September 29, 2010 and temporarily exempted the LAT for individuals selling houses starting from November 1, 2008.

(iv) *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 on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their effective tax rates. Pursuant to the Implementation Provisions on Deed Tax in Guangdong Province (廣東省契稅實施辦法) promulgated by the People's Government of Guangdong on June 10, 1998, effective on October 1, 1997, the rate of deed tax within Guangdong is 3%. Pursuant to the Circular on the Adjustment of the Deed Tax Rate (關於調整契稅稅率的通告) promulgated by the Chengdu Financial Bureau and the Chengdu Local Tax Bureau on June 30, 1999, the deed tax rate for Chengdu is 3%. Pursuant to the Tianjin City Implementation Rules on Deed Tax (天津市契稅徵收實施辦法) promulgated by the Tianjin Municipal Government on October 1, 1997, the deed tax rate for Tianjin is 3%. Pursuant to the Implementation Rules of the Interim Regulations of the People's Republic of China on Deed Tax (江蘇省實施《中華人民共和國契稅暫行條例》辦法) promulgated by the People's Government of Jiangsu Province on November 20, 1998 and amended on March 20, 2008, the deed tax rate for Yixing City is 4%. According to the Beijing Administrative Rules on Deed Tax (北京市契稅管理規定), issued by the Beijing Municipal Government on June 27, 2002 and amended on November 27, 2010, a 3% deed tax applies in Beijing. According to the Administrative Rules on Deed Tax in Yunnan Province (雲南省契稅實施辦法), promulgated by the People's Government of Yunnan Province on May 18, 1998 and amended on November 29, 2010, a 3% deed tax is applicable in Yunnan Province.

On September 29, 2010, the Ministry of Finance, the SAT and the MOHURD issued the Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies (財政部、國家稅務總局、住房和城鄉建設部關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that: (1) first time home buyers who purchase an ordinary residence that is the family's sole property may receive a fifty percent discount on applicable deed tax; deed tax is reduced to 1% for first time buyers who purchase an ordinary residence with less than 90 square meter floor area which is the family's sole property, and (2) tax payers who, within a single twelve month period, purchased and sold a self-owned residential property and then purchased another residential property shall not be eligible for any reduction of exemption of individual income tax.

(v) *Urban land use tax*

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988 and amended on December 31, 2006, land use tax in respect of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every square meter of urban land collected from foreign-invested enterprises shall be between RMB0.6 and RMB30.0.

(vi) *Buildings tax*

Under the Interim Regulations of the People's Republic of China on Building Tax (中華人民共和國房地產稅暫行條例) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986 and as amended on January 8, 2011, building tax shall be levied at 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental payments for lease of the building.

According to the Circular Concerning the Levy of Building Tax on Foreign Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the Ministry of Finance on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Building Tax on Foreign-Invested Enterprise and Foreign Individuals (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the SAT on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People's Republic of China on Building Tax.

On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. According to the Circular Regarding the Opinion Concerning the Key Issues of Economic Structure Reform in 2012 (轉發關於2012年深化經濟體制改革重點工作意見的通知) issued by the State Council on March 18, 2012, the scope of such pilot property tax schemes shall be expanded to more cities or districts.

(vii) 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 on August 6, 1988 and implemented on October 1, 1988 and amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and amended on September 29, 2010 and temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

(viii) Municipal maintenance tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985 and amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of consumption 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. According to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested 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附加制度的通知) issued by the State Council on October 18, 2010, the municipal maintenance tax will become applicable to foreign-invested enterprises as of December 1, 2010.

(ix) Education surcharge

Under the Interim Provisions on the Imposition of the Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005 and amended on January 8, 2011, a taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax shall pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). According to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested 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附加制度的通知) as issued by the State Council on October 18, 2010, the education surcharge will become applicable to foreign-invested enterprises as of December 1, 2010.

K. Measures on Stabilizing Housing Price

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On April 30, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見), which provides that:

(i) Intensifying planning and control and improving the housing supply structure

Where there is excessive growth in housing prices and insufficient supply of medium to low priced commodity houses and affordable residential housing, housing construction should mainly involve projects for the development of medium to low priced commodity houses and affordable residential houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to projects for the construction of medium-or-low-price commodity houses, prior to the assignment of land, the municipal planning authority shall, according to control planning, set forth conditions for the plan and design of such elements as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth requirements such as sale price, type and area. Such conditions and requirements will be set up as preconditions to the assignment of land to ensure an adequate supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant will have their planning permits revoked.

(ii) Intensifying control over the supply of land and rigorously enforcing the administration of land

Where there is rapid excessive growth in the price of land for residential use, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and affordable residential housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

a) Adjustment to the housing supply structure

- (i) The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents.
- (ii) From June 1, 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 square meters must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to the MOC for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.

b) Adjustment to tax, credit and land policies

- (i) Commencing June 1, 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;
- (ii) In order to restrain property development enterprises from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. Commercial banks should restrict the grant or extension of revolving credit facilities in any form to property development enterprises with a large amount of idle land and/or vacant commodity buildings. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks;
- (iii) From June 1, 2006, the first installment of individual house loans should be no less than 30%. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 square meters, the first installment remains at 20%;
- (iv) At least 70% of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine the property development enterprise. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly prohibited;
- (v) When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for no less than one year without approval.

c) Further rectifying and regulating the property market

- (i) Any project with a Construction Land Planning Permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the pre-sale permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law.
- (ii) The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing and maliciously manipulate and raise housing prices, the competent authorities

shall enforce monetary punishment according to laws and regulations, and the responsible persons concerned may have their Business Licenses revoked and/or shall be investigated and prosecuted.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the MOC promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- a) From June 1, 2006, in any city (including counties), housing with a floor area of less than 90 square meters should reach 70% of the total floor area of commercial commodity buildings newly approved or constructed.
- b) The governments should guarantee the conditions of planning and design of newly-built commodity buildings conform to the requirements of structure and proportion. Any digression from the above-mentioned requirements without authorization is forbidden and a construction works planning permit should not be issued by municipal planning and authorities. If there is any noncompliance with the planning permit, a construction works commencement permit should not issued by the construction authority and a permit for pre-sale of commodity buildings should not be issued by property development authority.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (No.126 [2008]) (國務院辦公廳關於當前金融促進經濟發展的若干意見), issued by General Office of the State Council on December 8, 2008, the State Council (i) implemented and promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (ii) provided more credit support for the construction of low rent houses and affordable residential houses and the reconstruction of shed areas for low-income urban residents; and (iii) initiated the pilot operation of real estate trust investment funds to diversify the financing channels of real estate enterprises.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the Property Market 《關於促進房地產市場平穩健康發展的通知》, which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision. Additionally, the Circular explicitly requires a family (including a borrower, his or her spouse and children under 18) who have already entered into a mortgage for the purchase of a house to pay a minimum down payment of 40% of the purchase price of a second or any additional house which they apply to purchase.

On February 15, 2012, the MLR promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (《國土資源部關於做好2012年房地產用地管理和調控重點工作的通知》) which requires that the previous real estate market control policy shall be firmly performed and the real estate land supply for residential projects, especially for social security housing projects shall be guaranteed.

On July 19, 2012, the MLR and MOHURD jointly issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》) to strengthen the enforcement of macroeconomic policy in the real property market, which requires residential construction projects must commence within one year from the land title delivery date which is stipulated in the land allocation decision or land grant contract and must be completed within three years from the date of commencement.

On September 6, 2012, the Ministry of Land and Resources promulgated the Notice on Strictly Implementation Land Use Standards and Vigorously Promotion 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, and include such requirements in assignment contracts and strictly enforce the requirements. Construction lands that are listed in the Catalog for Prohibited Land Use Projects, or that fail to conform to the prescribed conditions in the Catalog for Restricted Land Use Projects (《限制用地項目目錄》), or for which the intensity of investment, floor area ratio, construction coefficient, ratio of green land, or proportion of administrative offices and living facilities land fail to conform to relevant requirements for industrial projects or total area or each functional division area surpasses the required limits or the land area and floor area ratio fails to conform to the conditions of the residential land supply shall not pass the land supply and approval procedures; (b) the format and substantial content of land use standard shall be strictly examined; (c) the implementation of land use standard shall be further supervised and evaluated; and (d) the land use standard training program shall be given to the officials in land and resources authorities, and such the land use standards shall be widely publicized for the purpose of effectuation.

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

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 State Council issued the Notice on Continuing Adjustment and Control of Property Markets (《關於繼續做好房地產市場調控工作的通知》) which requires, among other restrictive measures:

- (i) *Improving the responsibility system for stabilizing housing prices.* Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) must set an annual objective for controlling housing prices and publish annual new commodity housing price control target in the first quarter of the year.
- (ii) *Firmly restraining purchases of residential housing for investment and speculation purposes.* Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) which have implemented restrictions on the real estate market are required to cover all administrative areas of the cities as restricted areas, and restricted housing shall include new commodity housing and second-hand housing. Non-local residents who possess one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20% tax on home sale profits.
- (iii) *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. Financial institutions, subject to credit requirements, are to prioritize requests for loans for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

II. LEGAL SUPERVISION RELATING TO THE PROPERTY MANAGEMENT SECTOR IN THE PRC

A. Foreign-invested Property Management Enterprises

According to the Foreign Investment Industrial Guidance Catalogue, property management falls within the category of industries in which foreign investment is permitted. Foreign invested property management enterprises can be set up as a Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise according to the Catalogue and the relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises. Foreign invested property management enterprises should obtain approval from the commercial authority and obtain an Approval Certification for a foreign-invested enterprise before registering with the Administration for Industry and Commerce.

Pursuant to the Circular of the General Office of the State Council on Issues Concerning the Further Regulation and Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) dated January 26, 2011, the municipalities directly under the Central Government, cities specially designated in the State plan, provincial cities and the other cities with excessive or rapid rising real estate prices shall implement strict measures with housing-purchase limitation for a specified period of time. As the general rule, (i) individuals who sell their residential property within five years after their purchase of such property will be charged business taxes based on the full amount of the transfer income; (ii) the minimum down payment for second house of residential family using bank loans or housing provident fund loan is raised to 60% with a minimum lending interest rate of 110% of the benchmark rate; (iii) the PRC government will forfeit the land use rights if a developer fails to obtain the construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract; and (iv) municipalities directly under the Central Government, cities specially designated in the State Plan, provincial capitals and cities with high housing prices shall make purchase restrictions for a specified period. In principle, (a) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one house (including new commodity residential houses and second hand houses); and (b) a local residential family who holds two or more houses, a non-local residential family that holds one or more houses and a non-local residential family who can not provide the local payment certificates of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses in the relevant administrative regions.

According to the Regulation on Clearly Marking Price in the Sale of Commodity Houses (商品房銷售明碼標價規定) promulgated by NDRC on March 16, 2011, the sale of commercial houses shall mark prices on a per unit basis, and show to the public the relevant fees which will be charged and the other factors which are in relation to the sale price. A commercial house operator shall not charge any additional fees other than those clearly marked during the property sale. After the price is clearly marked, the developer cannot increase the sale price or charge any other fees.

B. The Qualification of a Property Management Enterprise

According to the Regulation on Property Management (物業管理條例) enacted by the State Council on June 8, 2003, implemented on September 1, 2003 and amended on August 26, 2007, a qualification system for enterprises engaging in property management activities is adopted. According to the Measures for the Administration on Qualifications of Property Management Enterprises (物業管理企業資質管理辦法) enacted by the MOC on March 17, 2004, implemented on May 1, 2004 and amended on November 26, 2007, a newly established property management enterprise shall, within 30 days from the date of receiving its Business License, apply for qualifications to the competent property departments of the people's governments of the municipalities directly under the central government and cities divided into districts in the locality of industry and commerce registration. The departments of qualification examination and approval shall check and issue property management qualification certificates to enterprises meeting conditions for the corresponding qualification class.

According to the Measures for the Administration on Qualifications of Property Management Enterprises, the qualifications of a property management enterprise shall be classified into first, second and third classes. The competent construction department of the State Council shall be responsible for the issuance and administration of the qualification certificate of the first class property management enterprises. The competent construction departments of the people's governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the second class property management enterprises, and the competent property administration departments of the people's governments of municipalities directly under the central government shall be responsible for issuance and administration of the qualification certificate of the second and third class property management 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 third class property management enterprises.

The property management enterprises with the first class qualification may undertake any realty management projects. The property management enterprises with the second class qualification may undertake the realty management business of residential projects of under 300,000 square meters and the non-residential projects of under 80,000 square meters. The property management enterprises with the third class qualification may undertake the realty management business of residential projects under 200,000 square meters and non-residential projects under 50,000 square meters. An annual inspection system on the qualifications of property management enterprises is adopted.

C. Appointment of a Property Management Enterprise

According to the Regulation on Property Management, the general meeting of owners in a property can appoint and dismiss the property management enterprise with affirmative votes of owners holding more than half of the voting rights. Before the formal appointment of a property management enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a property development enterprise) and a property management enterprise.

III. LEGAL SUPERVISION RELATING TO REAL ESTATE INTERMEDIARY SERVICES IN THE PRC

A. Foreign Investment in the Real Estate Intermediate Services Sector

Under the Foreign Investment Industry Guidance Catalogue amended jointly by MOFCOM and the NDRC on December 24, 2011 which took effect from January 30, 2012, transactions in the real estate secondary market and the real estate intermediary or broker companies falls within the category of industries in which foreign investment is subject to restrictions.

The Regulations on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) promulgated by the State Council on February 21, 2002 and effective from April 1, 2002, stipulate that projects with foreign investment that are classified as restricted projects shall be subject to the examination and approval of the corresponding competent departments of the people's governments of the provinces, autonomous regions, municipalities directly under the Central Government and municipalities. At the time of examination and approval, the project must also be reported to the competent departments and administrative authorities at the next highest level. The power to conduct examination and approval for this kind of project may not be granted to any lower level authority.

B. Qualifications for the Real Estate Intermediary Services Sector

The Regulation on the Property Agency Management (房地產經紀管理辦法) promulgated jointly by MOHURD, the NDRC and Ministry of Human Resources and Social Security of the People's Republic of China (MOHRSS) on January 20, 2011 which took effect from April 1, 2011 states that property agencies providing property agency services must have a stipulated amount of qualified brokers.

IV. GENERAL LEGAL SUPERVISION IN THE PRC

Remittance of Renminbi into and outside The PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. In July 2009, China commenced a pilot scheme pursuant to which Renminbi may be used to settle imports and exports of goods between approved enterprises in five designated cities in the PRC, namely Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai, and enterprises in designated offshore jurisdictions such as Hong Kong and Macau. On June 17, 2010, the PRC government promulgated the Notice on Matters Relating to the Expansion of Pilot Areas for RMB Settlement for Cross-border Trade (Yin Fa [2010] No. 186) (《關於擴大跨境貿易人民幣結算試點有關問題的通知》銀發[2010] 186號) (“186 Circular”). According to the 186 Circular, (i) imports and exports of goods and services and other current account items might be settled in Renminbi, (ii) the pilot scheme was expanded to cover 20 provinces and regions including Shandong, Liaoning, Tianjin and Inner Mongolia, and (iii) there was no longer any restriction on the offshore jurisdictions that may participate in the pilot scheme. Accordingly, any enterprises in the designated regions and any offshore enterprises may use Renminbi to settle any current account items between them (except, in the case of payments for exports of goods from the PRC, only approved enterprises in the designated PRC regions may remit the Renminbi).

As a new regulation, the 186 Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the 186 Circular and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares and reduction of capital to foreign investors in a foreign currency. However, cross-border Renminbi direct investments and settlements have been approved on a trial basis by relevant PRC authorities. On February 25, 2011, the MOFCOM promulgated the Notice on Issues Concerning the Administration of Foreign Investment (Shang Zi Han 2011 No. 72) (《商務部關於外商投資管理工作有關問題的通知》商資函[2011] 72號) (“MOFCOM 72 Notice”), which provides that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with Renminbi that the foreign investor generated from cross-border trade settlement or lawfully obtained outside the PRC, the MOFCOM’s prior written consent is required. On June 3, 2011, the PBOC issued the Notice on Clarifying Issues Concerning Cross-Border Renminbi Transactions (Yin Fa 2011 No. 145) (《中國人民銀行關於明確跨境人民幣業務相關問題的通知》銀髮[2011] 145號) (“PBOC 145 Notice”), which further provided that, if a foreign investor intends to make direct investment in the PRC with Renminbi, other than the MOFCOM approval,

it shall also apply to the branch offices of the PBOC at the sub-provincial level or above for approval. The PBOC will determine whether to grant such approval on a case by case basis.

On October 12, 2011, the MOFCOM promulgated the MOFCOM Circular to further facilitate Renminbi inbound direct investments by foreign investors. On October 13, 2011, the PBOC promulgated the PBOC Measures to set forth rules for settlements of Renminbi inbound direct investments. The MOFCOM Circular and the PBOC Measures provide more detailed rules for cross-border Renminbi direct investments and settlements, and amend or replace certain provisions set forth in the MOFCOM 72 Notice and the PBOC 145 Notice relating to the case-by-case pilot program.

- The MOFCOM Circular stipulates that: (1) the Scope of “offshore Renminbi” that may be used in cross-border Renminbi direct investments includes (i) Renminbi obtained by foreign investors through Renminbi settlements of cross-border trade, Renminbi profits generated in China and remitted outside of China, and Renminbi obtained through share transfer, capital reduction, liquidation and advance recovery of investment; and (ii) offshore Renminbi funds obtained by foreign investors from other legitimate sources, including without limitation, Renminbi raised through issuance of Renminbi bonds or stocks outside of China; (2) Cross-border Renminbi direct investments and re-investments by foreign-invested enterprises must comply with the relevant PRC laws and regulations on foreign investments. Such transactions must also comply with national industrial policies on foreign investments, and undergo national security reviews on mergers and acquisitions by foreign investors as well as anti-trust reviews. Cross-border Renminbi direct investments in the real estate industry and cross-border Renminbi strategic investments in PRC domestic-listed companies must comply with the administrative regulations on foreign investments in these industries currently in force; (3) Cross-border Renminbi direct investments may not be invested directly or indirectly into negotiable securities or financial derivatives (other than strategic investments in PRC domestic-listed companies that have been approved by relevant authorities), or be used as entrusted loans; and (4) In principle, the approval procedures for cross-border Renminbi direct investments are consistent with the existing approval scheme of foreign direct investments. However, for investments in the amount of RMB300 million or more and investments relating to (i) financial guarantee, finance lease, micro financing, auction and similar businesses, (ii) foreign-invested investment companies, foreign-invested venture capital investment or equity investment enterprises, and (iii) cement, iron and steel, electrolytic aluminum, shipbuilding and similar industries that are subject to macro-control measures, the provincial level counterparts of MOFCOM must submit the application documents to MOFCOM for its review and approval before issuing the official approval.
- The PBOC Measures provides that: (1) After examining the approval or filing documents issued by MOFCOM, its local counterparts or other relevant regulatory authorities in relation to cross-border Renminbi direct investments, domestic banks are permitted to process foreign investors’ request for remittance of offshore Renminbi funds into China. The case-by-case approval procedures required under the PBOC 145 Notice are no longer applicable; (2) With respect to a foreign investor’s application for outbound remittance of Renminbi profits or funds obtained through capital reduction, share transfer, liquidation and advance recovery of investment, domestic banks may process such request upon examining the resolutions approving the distribution of profits, the approval or filing documents of the relevant authorities regarding capital reduction, share transfer, liquidation and advance recovery of investment, and the tax certificates; (3) For the purpose of calculating the total amount of offshore debt, loans denominated in Renminbi and foreign currencies borrowed by foreign-invested enterprises from overseas shareholders and affiliates as well as overseas financial institutions must be aggregated. Foreign-invested enterprises must apply to domestic banks to open a general Renminbi deposit account to deposit Renminbi loans borrowed offshore. With respect to the request of a foreign-invested enterprise to use its onshore Renminbi funds to repay offshore Renminbi loans, domestic banks may process such remittance request after examining the loan contract, the payment order and the tax certificates; and (4) Foreign investors, foreign-invested enterprises or their Chinese shareholders must open Renminbi special purpose accounts to deposit Renminbi funds relating to cross-border Renminbi direct investments, and cash transactions may not be conducted under this type of account.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorized as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

MANAGEMENT

Our board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board:

Name	Age	Position
PAN Jun (潘軍)	44	Chairman, executive director and chief executive officer
ZENG Jie, Baby (曾寶寶)	44	Executive director
LAM Kam Tong (林錦堂)	46	Executive director, chief financial officer and company secretary
ZHOU Jinquan (周錦泉)	48	Executive director
WANG Liang (王亮)	45	Executive director
LI Dongsheng (李東生)	57	Non-executive director
YUAN Haodong (袁浩東)	42	Non-executive director
HO Man (何敏)	45	Independent non-executive director
HUANG Ming (黃明)	50	Independent non-executive director
LIAO Jianwen (廖建文)	47	Independent non-executive director
GUO Shaomu (郭少牧)	49	Independent non-executive director
WONG Pui-sze, Priscilla, JP (王沛詩) . . .	54	Independent non-executive director

Directors

Executive Directors

Mr. PAN Jun (潘軍), aged 44, is the chairman of our board, an executive director, chief executive officer, chairman of our Company's nomination committee, and a member of our Company's remuneration committee. He joined our Group in 1999 and is responsible for the overall operation of our Group's projects, the formulation of our development strategies, as well as supervising the project planning, business and operation management of our Group. He is also currently the president of Fantasia Group (China) Company Limited, the general manager of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Group's subsidiaries. Mr. Pan has over 18 years of experience in the real estate development industry in China and prior to joining our Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Ms. ZENG Jie, Baby (曾寶寶), aged 44, is an executive director of our Company. She is also a member of our Company's nomination committee. From 1994 to 1996, Ms. Zeng was the general manager of Shenzhen Kingkey Property Development Company Limited (深圳京基房地產開發有限公司). In 1996, Ms. Zeng established Fantasia Group (China) Company Limited. During the period from 2006 to 2011, Ms. Zeng was the chairlady of Fantasia Group (China) Company Limited and Shenzhen Fantasia Real Estate Group Limited. She is one of the controlling shareholders and the largest Shareholder of the Company. Ms. Zeng holds an EMBA degree from Cheung Kong Graduate School of Management (長江商學院). Ms. Zeng is one of the controlling shareholders and the largest shareholder of our Company.

Mr. LAM Kam Tong (林錦堂), aged 46, is an executive director, chief financial officer and company secretary of our Company. Mr. Lam joined our Group in May 2012 and is responsible for investor relation, financial and regulatory related matters of our Group. He is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Lam received his bachelor of business administration degree from The Chinese University of Hong Kong in July 1991. He has over 14 years of experience in professional auditing as well as extensive experience

in the areas of investor relations, auditing, mergers and acquisitions and offshore financing. Mr. Lam is currently an independent non-executive director of Pegasus Entertainment Holdings Limited (天馬娛樂控股有限公司), a company listed on the Growth Enterprise Market of the Stock Exchange. Before joining our Group, Mr. Lam was an executive director, chief financial officer and company secretary of China Aoyuan Property Group Ltd. (中國奧園地產股份有限公司), a company listed on the Main Board of the Stock Exchange, for over three years. From May 2006 to October 2008, Mr. Lam was the chief financial officer, company secretary and qualified accountant of Greentown China Holdings Ltd. (綠城中國控股有限公司), another listed company on the Main Board of the Stock Exchange. He resigned as an independent non-executive director of Sheng Yuan Holdings Limited (盛源控股有限公司), a company listed on the Main Board of the Stock Exchange, on 1 March 2014.

Mr. ZHOU Jinquan (周錦泉), aged 48, is an executive director of our Company. He joined our Group in January 2013 and is responsible for the financial development department as well as the micro credit and financial leasing business. He is also currently the vice president of Fantasia Group (China) Company Limited. He obtained a Bachelor's degree in Finance and a Master's degree in Finance from Renmin University of China in July 1989 and July 1992, respectively. Before joining our Group, he worked as the deputy president of China Resources Bank of Zhuhai Head Office (珠海華潤銀行總行) from January 2011 to January 2013. He also worked as the deputy president of Guangxi Beibu Gulf Bank Head Office (廣西北部灣銀行總行) from October 2008 to January 2011. He had been the assistant to the president of Guosen Securities Co., Ltd. (國信證券股份有限公司) from June 2004 to October 2008, and the general manager of International Department of Guoyuan Securities Co., Ltd. (國元證券有限公司) from September 2001 to June 2004. He had worked as the deputy general manager of International Department, general manager of Business Department and Institution Department of Industrial and Commercial Bank Co., Ltd., Shenzhen Branch (工商銀行股份有限公司深圳分行) from April 1994 to September 2001, the staff member of General Office of Guangdong Provincial Government Institute of International Economic Technology (廣東省政府辦公廳國際經濟技術研究所) from July 1992 to April 1994, and the staff member of Industrial and Commercial Bank Co., Ltd., Beijing Branch, Haidian Office (工商銀行股份有限公司北京分行海澱分理處) from September 1989 to July 1990.

Mr. WANG Liang (王亮) aged 45, is an executive director of our Company, and also the vice president of Fantasia Group (China) Company Limited. He is also the director and supervisor of a number of the Group's subsidiaries and also acts as the president of Fantasia Charitable Fund. Mr. Wang joined our Group in April 2006 and is primarily responsible for the hotel, senior housing and health businesses, investment management and internal control of the Group. Prior to joining our Group, he was the director of the financial management department of Huafu HK Co. Limited (香港華孚集團) and the general manager of the financial management department of one of its subsidiaries from 2005 to 2006, the assistant to general manager of the financial management department of Shenzhen Feishang Industry Group Co., Ltd. (深圳市飛尚實業發展(集團)有限公司) in 2005 and the deputy manager of the finance department of Shenzhen Southern Zhongji Containers Manufacture Co. Ltd. (深圳南方中華集裝箱製造有限公司) from 1994 to 2001. Mr. Wang received a Bachelor's degree in business economics from Yangzhou Normal University (揚州師範學院) in 1992.

Non-executive Directors

Mr. LI Dong Sheng (李東生), aged 57, is a non-executive director of our Company. Mr. Li received his Bachelor of radio technology degree from South China University of Technology (華南理工大學) in 1982. Mr. Li has more than 19 years of experience in the information technology field. Mr. Li is the chairman and chief executive officer of TCL Corporation (TCL集團股份有限公司), the chairman of TCL Multimedia Technology Holdings Limited (TCL多媒體科技控股有限公司) and TCL Communication Technology Holdings Limited (TCL通訊科技控股有限公司), both of which are companies listed on the Main Board of the Stock Exchange, all of which produce consumer electronic products. Mr. Li is also an independent non-executive director of Tencent Holdings Limited (騰訊控股有限公司), a company listed on the Hong Kong Stock Exchange, and he is also an independent director of Legrand, a company listed on NYSE Euronext. In January 2014 prior to joining our Company, Mr. Li was fined by a Hong Kong court of HK\$10,000 for non-compliance with the Securities and Futures Ordinance in relation to his untimely filing of disclosures of his interests in TCL Multimedia Technology Holdings Limited and TCL Communication Technology Holdings Limited.

Mr. YUAN Hao Dong (袁浩東), aged 42, is a non-executive director. Mr. Yuan received his Master degree in Business Administration and Management from Huazhong University of Science and Technology (華中科技大學) in December 2000, and has more than 11 years of experience in financial management, corporate finance and merger and acquisition areas. Mr. Yuan joined TCL Corporation (TCL集團股份有限公司) in 2000 as the senior manager of the strategic development department. He worked as the finance manager of various subsidiaries of TCL Corporation and the vice general manager of the strategic investment center between 2002 and 2009, and was generally responsible for planning and carrying out reorganizations and merger and acquisition activities. Since 2012, Mr. Yuan has been the general manager of the investment banking department of TCL Corporation. He is generally responsible for building capital platforms, implementing capital finance strategies, carrying out investments and acquisition and disposal of assets. Mr. Yuan was also the chief financial officer of Shenzhen Huaxing Electric Technology Co., Ltd. (深圳市華星光電技術有限公司) in 2009.

Independent Non-executive Directors

Mr. HO Man (何敏), aged 45, is an independent non-executive director. He is also the chairman of our Company's audit committee and a member of each of our Company's remuneration committee and nomination committee, respectively. Mr. Ho holds a Master of Science degree in Finance from the London Business School and is a Chartered Financial Analyst and Certified Public Accountant. Mr. Ho has over 16 years of experience in private equity and financial industry. Since May 2014, Mr. Ho has taken up the post as the managing director of an investment holdings company. He joined a Hong Kong based mid-market private equity house in January 2010 and until December 2013, he was responsible for deal sourcing, evaluation and structuring, negotiation, post investment monitoring and realization, with particular emphasis on businesses in Hong Kong and the PRC. Prior to this, Mr. Ho joined Chepstow Capital Advisers Limited, a HK based mid-market private equity house, as managing director in January 2010 and is responsible for deal sourcing, evaluation and structuring, negotiation, post investment monitoring and realization, with particular emphasis on Hong Kong and the PRC. Prior to this, Mr. Ho joined CLSA Capital Partners (HK) Limited ("CLSA") in August 1997 and until October 2009 was the managing director, head of China Growth and Expansion Capital of CLSA. Mr. Ho was a non-executive director and a member of the audit committee of SCUD Group Limited (飛毛腿集團有限公司), a company listed on the Main Board of the Stock Exchange, and a non-executive director and an audit committee member of Shanghai Tonva Petrochemical Co., Ltd. (上海棟華石油化工股份有限公司), a company listed on the Growth Enterprise Market of the Stock Exchange, until October 2009. Mr. Ho is also presently an independent non-executive director and the chairman of audit committee of Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a company listed on the Main Board of the Stock Exchange.

Mr. HUANG Ming (黃明), aged 50, is an independent non-executive director. He is also the chairman of the Company's remuneration committee and a member of each of our Company's audit committee and nomination committee, respectively. He has been a Professor of Finance at the Johnson Graduate School of Management at Cornell University since July 2005 and the Head of School of Finance of Shanghai University of Finance & Economics from 2006 to April 2009. Mr. Huang was an Assistant Professor of Finance at Stanford University, Graduate School of Business from 1998 to 2002. Mr. Huang was also the Associate Dean and visiting Professor of Finance and the Professor of Finance at the Cheung Kong Graduate School of Business (長江商學院) from 2004 to 2005 and from 2008 to 2010, respectively. Since July 2010, Mr. Huang has been a Professor of Finance at the China Europe International Business School (中歐國際工商學院). Mr. Huang graduated from Peking University in 1985 majoring in Physics. Mr. Huang then obtained a Ph.D in Physics and a Ph.D in Business from Cornell University and Stanford University, respectively. Mr. Huang is a non-executive director of the Annuity Fund Management Board of China National Petroleum Corporation (中國石油天然氣集團年金理事會) and Yingli Green Energy Holdings Co Ltd (英利綠色能源控股有限公司) since 2007 and 2008, respectively. He has also been appointed as a non-executive director of Qihoo 360 Technology Co. Ltd. (奇虎360科技有限公司), a company listed on the New York Stock Exchange, in 2011. Mr. Huang is currently as a non-executive director of 360buy Group (京東商城集團), Guosen Securities Company Limited (國信證券有限公司), and Tebon Securities Co. Ltd. (德邦證券有限公司). He is also an independent non-executive director of China Medical System Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was appointed as an independent non-executive director of WH Group Limited, a company listed on the Main Board of the Stock Exchange, on 4 April 2014.

Dr. LIAO Jianwen (廖建文), aged 47, is an independent non-executive director of our Company. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Dr. Liao has extensive business research and teaching experience in the United States, Hong Kong and the People's Republic of China (the "PRC"). He has been an associate dean and professor of managerial practice in strategy and innovation at the Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, Dr. Liao was an associate professor at the Stuart School of Business in Illinois Institute of Technology from 2006 to 2012. In 2001, he was also a visiting professor at Hong Kong University of Science and Technology. Dr. Liao received a Doctorate degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988. He is currently an independent non-executive director of Colour Life, 361 Degrees International Limited and China Mengniu Dairy Company Limited, the companies are listed on the Main Board of the Stock Exchange. Additionally he also serves as an independent non-executive director of Qihoo 360 which is traded at New York Stock Exchange.

Mr. GUO Shaomu (郭少牧), aged 49, is an independent non-executive director of our Company. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. He has over 13 years of experience in investment banking in Hong Kong. From February 2000 to February 2001, Mr. Guo served as an associate director of corporate finance of Salomon Smith Barney, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution efforts of the China team. From March 2001 to September 2005, Mr. Guo served as an associate director of global investment banking of HSBC Investment Banking, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and a director of the real estate team of J.P. Morgan Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was primarily responsible for marketing efforts covering the real estate sector in China. From April 2007 to April 2013, Mr. Guo served as a director and a managing director of the real estate team of Morgan Stanley Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. Since January 2014, Mr. Guo has been an independent non-executive director of Galaxycore Inc., a leading China-based fabless image sensor company targeting the global mobile device and consumer electronics market. Since June 2014, Mr. Guo has been an independent non-executive director of Yida China Holdings Limited (a company listed on the Main Board the Stock Exchange), a real estate developer based in Dalian, China. Mr. Guo received his bachelor's degree in electrical engineering from Zhejiang University in July 1989, a master's degree in computer engineering from the University of Southern California in May 1993 and a master's degree in business administration from the School of Management of Yale University in May 1998.

Ms. WONG Pui-sze, Priscilla, JP (王沛詩), aged 54, is an independent non-executive director of our Company. She is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Ms. Wong was appointed a Justice of the Peace in 2005. She is a member of Chinese People's Political Consultative Conference, Shanghai Committee in PRC. In Hong Kong, Ms. Wong serves as the Chairman of Appeal Board Panel (Consumer Good Safety), the Chairman of Employees Compensation Assistance Fund Board, a member of Court of University of Hong Kong, a member of Panel of the Witness Protection Review Board, a member of Financial Reporting Review Panel and a member of Hong Kong Bar Association Special Committee on Overseas Admissions (Civil). She graduated with a Bachelor of Law (Hons) degree from the University of Hong Kong and a Master of Laws degree from The London School of Economics and Political Science of The University of London. Ms. Wong was called to the Bar in Hong Kong in 1985 and is a practising barrister in Hong Kong. She is a mediator of Centre for Effective Dispute Resolution and an arbitrator of China International Economic and Trade Arbitration Commission. Ms. Wong is also an advocate and solicitor admitted in Singapore.

Senior Management

Mr. JIAO Chuhua (焦曙華), aged 44, is the vice president of Fantasia Group (China) Company Limited. Mr. Jiao joined our Group in December 2011 and is responsible for the financing business of our

Group. Prior to joining the Group, he was the director of Gaosheng Consultancy Co., Ltd. (高盛顧問有限公司) from 2005 to 2011, the deputy general manager of the asset management and investment department of Kaili Asset Management Co., Ltd. (凱利資產管理有限公司) from 2002 to 2005 and the audit manager of the Anderson HuaQiang CPA accounting firm from 1997 to 2002. Mr. Jiao received a Bachelor's degree in Finance from Jiangxi College of Finance and Economics (Now Jiangxi University of Finance and Economics) (江西財經學院(現江西財經大學)) in 1991.

Ms. LIN Wenjia (林文佳), aged 52, is the assistant director of Fantasia Group (China) Company Limited. Ms. Lin joined the Group in November 2013 and is responsible for the human resource department, CEO office and international sector. Prior to joining the Group, she was the global head of the human resource department of CTBC Financial Holding Co. Ltd. (中國信託金融控股公司), the deputy director and deputy manager of the Chairman office of CTBC Bank (中國信託銀行) from 2009 to 2013, the partner of 台灣太景顧問公司 from 2008 to 2009, the human resource director of Standard Chartered Bank (Taiwan) from 2003 to 2007, the head of human resource of Prudential Insurance from 2002 to 2003, the director of human resource and the head secretary of the director office of Jih Sun Financial Holding Co., Ltd from 1999 to 2002, the training manager of 怡和集團惠康公司 from 1996 to 1998, the senior partner of 台灣英美加顧問公司 from 1988 to 1995. Ms. Lin received a Master's degree in business administration from National Taipei University (國立臺北大學) in 2001 and a Bachelor's degree in Accounting from Ming Chuan University (銘傳大學) in Taiwan in 1985.

Mr. GAO Fei (高飛), aged 41, is the chief data and information officer of Fantasia Group (China) Company Limited. Mr. Gao joined the Group in December 2013 and is responsible for the information and data management center and internet and experience study center. Prior to joining the Group, he was the system architect, project manager, department manager, product director, general manager and assistant president of Kingdee Software (China) Co., Ltd (金蝶軟件(中國)有限公司) from 2001 to 2013 and the lecturer of Nanchang University (南昌大學) from 1999 to 2001. Mr. Gao received a Master's degree in business administration from Guanghua School of Management Peking University (北京大學光華管理學院) in 2007 and a Master's degree in hydraulic and hydro-power engineering from Nanchang University in 1999.

Mr. JIAN Jianxun (簡堅訓), aged 44, is the general counsel (法務長) of Fantasia Holdings Group (China) Co., Limited. Mr. Jian joined the Group in March 2014 and is responsible for legal department (法律事務部) and audit monitoring department (審計監察部). Prior to joining the Group, he was a lawyer of Zhong Yin Law Firm in Beijing (北京中銀律師事務所) from 2013 to 2014 and senior legal specialist (法務高專), deputy manager (副理), manager, assistant manager (協理), deputy general manager (chief compliance officer (合規總監) and general counsel of the Group (集團法務長)) of Polaris Financial Group (寶來金融集團) from 2001 to 2012. Mr. Jian received a PhD in Law from University of International Business and Economics (對外經濟貿易大學) in 2013 and a Master's degree in International Laws (國際法) from Tamkang University (淡江大學) in Taiwan in 1998.

Ms. LI Chuanyu (李傳玉), aged 46, is the deputy chief executive of Shenzhen Fantasia Real Estate Group Limited. Ms. Li joined our Group in May 2001 and was the Chief financial officer and the general manager of the financial management department of Fantasia Property Group Limited from 2001 to 2011. She is responsible for the financial management department, fund planning department, cost control department of the control center, development center (發展中心) and general contracting company (planning) (總承包公司(籌)). She is also the director of a number of subsidiaries of the Group. Prior to joining the Group, she was the deputy general manager of the financial department of Shenzhen Zhujiang Industry Company (深圳珠江實業公司) from 1996 to 2001. Ms. Li received a Master's degree in international accounting (國際會計) from the City University of Hong Kong (香港城市大學) in 2006.

Mr. ZHU Xuan (朱宣), aged 46, is the executive president of Shenzhen Fantasia Real Estate Group Limited. Mr. Zhu joined our Group in March 2013 and is responsible to perform the duties of the chief executive. He is also responsible for the product development department, the quality and technology department and the design department of the product center. Mr. Zhu joined the Group in March 2013. Prior to joining our Group, he was a vice president of Yanhai Real Estate Investment (China) Company Limited (沿海地產投資(中國)有限公司) from 2012 to March 2013, general manager of Zhonghui Xiyuan Group Construction Design Centre (中惠熙元集團工程設計中心) and director of its district office in Guangzhou from 2010 to 2012, chief architect of Shenzhen Excellence Property Group Limited

(深圳卓越置業集團公司) and assistant to general manager of its Shenzhen office from 2006 to 2009, deputy general manager and general engineer of Suzhou Youngor Property Company Limited (蘇州雅戈爾置業公司) from 2005 to 2006, director and general manager of Bowen Environmental Arts Design Company Limited (博聞環境藝術設計公司) from 2002 to 2005, senior manager of the general construction and innovation enhancement center of Rongkezhidi Real Estate Development Company Limited (融科智地房地產開發有限公司) under the Lenovo Group (聯想集團) from 1998 to 2002, general engineer of Jianyi Decoration Design Construction Company Limited (建藝裝飾設計工程有限公司) from 1995 to 1998, and manager of the design department of Shenzhen Huahui Decoration Design Construction Company Limited (深圳華輝裝飾設計工程有限公司) from 1991 to 1993. Mr. Zhu received a Bachelor's degree in architecture from South China University of Technology (華南理工大學) in 1991.

Mr. LIU Zongbao (劉宗保), aged 46, is the vice president of Shenzhen Fantasia Real Estate Group Company Limited and is primarily responsible for sales management and products development. He is also the director of certain subsidiaries of our Group. Mr. Liu joined our Group in March 2005 as the general manager of Chengdu Tonghe Real Estate Development Co., Ltd. (“Chengdu Tonghe”) and was responsible for the operation of Chengdu Tonghe. Prior to joining our Group, he was the deputy general manager of Shenzhen Zhonglian Real Estate Development Co., Ltd. (深圳市中聯房地產企業發展有限公司) from 2004 to 2005 and the manager of the marketing and sales department of Shenzhen Xinghe Real Estate Development Co., Ltd. (深圳市星河房地產開發公司) from 2001 to 2003. Mr. Liu received his Bachelor's degree in construction management engineering from Southeast University (東南大學) in 1991.

Mr. ZHANG Xuesen (張學森), aged 48, is the vice president of Shenzhen Fantasia Real Estate Group Company Limited and is responsible for operation management department (運營管理部) and procurement contract department (採購合約部) of the operation center. Mr. Zhang joined the Group in March 2014. Prior to joining the Group, he was the deputy general manager of China Construction Fourth Engineering Division Corp. Ltd. (中國建築第四工程局有限公司) from 2012 to 2014, the general manager of China State Construction Engineering Corporation (China State Construction Engineering Corporation Limited) (中國建築工程總公司(中國建築股份有限公司)), Guangdong branch from 1988 to 2012. Mr. Zhang received a Bachelor's degree in Industrial and Civil Architecture (工業與民用建築專業) from Harbin Civil Engineering and Architecture Institute (哈爾濱建築工程學院) in 1988.

Mr. TANG Xuebin (唐學斌), aged 47, was appointed as a director of Colour Life on 30 October 2012 and was redesignated as an executive director of Colour Life on 11 June 2014. He is also the chief executive officer of Colour Life. He joined the Group in 2002 and is responsible for the operation and management of Colour Life Group. He also serves as the general manager of a number of subsidiaries of Colour Life Group. Mr. Tang has over 15 years of experience in property management. Prior to joining the Group, he worked at China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company which is principally engaged in property management, from 1997 to 2001, where his last position held was the deputy general manager and was primarily responsible for the management of engineering department. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in July 1993, an Executive Master of Business Administration degree (“EMBA degree”) from China Europe International Business School (中歐國際工商學院) in September 2010 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in June 2012.

Mr. DONG Dong (董東), aged 51, was appointed as a director of Colour Life on 30 October 2012 and was redesignated as an executive director of Colour Life on 11 June 2014. He is also the chief operating officer of Colour Life. He joined the Group in 2004 and is responsible for the operation and management of information technology of Colour Life Group. He was the general manager of Shenzhen Kaiyuan Tongji from 2004 to 2005. In 2013, he became the vice president of Colour Life Group. Mr. Dong has 15 years of experience in property management. Prior to joining the Group, he was the manager, deputy manager and assistant manager of engineering department of China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company which is principally engaged in property development from September 1998 to January 2002, where he was primarily responsible for the management and operation of property development projects. He was the deputy chief engineer of Shenzhen Kaiyuan International Property Management Co., Ltd. (深圳市開元國際物業管理公司), a company which is principally engaged in property management from February 2002 to December 2004,

where he was primarily responsible for the management and operation of property development projects. He was the electrical engineer and chief officer (科長) of quality control department and the senior engineer of Xinjiang Construction Corps No. 1 Construction and Installation Company (新疆生產建設兵團第一建築安裝公司), a company which is principally engaged in the engineering and construction business from November 1993 to May 1996, where he was primarily responsible for the management and operation of engineering and construction projects. Prior to November 1993, he was also a teacher of Xinjiang Shihezi University (新疆石河子農學院). Mr. Dong attended and completed a master research teaching assistance training course in fundamental physics (基礎物理) at Sichuan University (四川大學) in July 1992. Mr. Dong obtained the certificate of National Senior Engineer in July 1996. He also possesses the qualification as a Chinese government certified supervision engineer (國家註冊監理工程師) and registered real estate agent (國家註冊房地產經紀人). Mr. Dong obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013.

Mr. ZHOU Qinwei (周勤偉), aged 36, was appointed as a director of Colour Life on 25 April 2014 and was redesignated as an executive director of Colour Life on 11 June 2014. He is also the chief financial officer of Colour Life. He joined the Group in 2013 and is responsible for financial management of Colour Life Group. Mr. Zhou has approximately 13 years of experience in accounting and financial management and control. Prior to joining the Group, he was the group financial controller in Le Gaga Holdings Ltd. (樂嘎嘎控股有限公司), a company which is principally engaged in greenhouse vegetable production from March 2010 to December 2012, where he was primarily responsible for the financial management of the company. He worked at Syngenta (China) Investment Co., Ltd. (先正達(中國)投資有限公司), a company which is principally engaged in crop protection business from October 2006 to February 2010 where his last position held was the China financial controller and was primarily responsible for the financial management of the company. He served as a manager in Cap Gemini, a company which is principally engaged in IT services and business consultancy from January 2006 to October 2006, where he was primarily responsible for outsourcing projects' management and operation. Prior to 2006, he served as senior accountant at PricewaterhouseCoopers from July 2001 to January 2006, where he was primarily responsible for audit work and preparing financial statements. Mr. Zhou graduated from Sun Yet-Sen University (中山大學) with a Bachelor's degree of Management in July 2001, and obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in August 2014.

Mr. CHEN Xiangming (陳湘明), aged 45, is the general manager of Fantasia Property Management (International) Co., Ltd. (花樣年物業管理(國際)有限公司). Mr. Chen joined the Group in July 2012 and is responsible for the overall management of Fantasia Property Management (International) Co., Ltd. Prior to joining the Group, he was the general manager of Shenzhen Baopu Property Service Co., Ltd. (深圳市抱樸物業服務有限公司) from 2011 to 2012, the general manager of Shenzhen Terra Property Management Service Co., Ltd. (深圳市泰然物業管理服務有限公司) from 2007 to 2011, the general manager of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司) from 2006 to 2007, and the vice-general manager of Shenzhen Fantasia Property Management Co., Ltd. (深圳市花樣年物業管理有限公司) from 2002 to 2006. Mr. Chen completed his tertiary education in Safety Engineering from Hunan University Hengyang Campus in 1992.

Mr. HE Linjun (何林軍), aged 37, is the deputy general manager of Fantasia Property Management (International) Co., Ltd. (花樣年物業管理(國際)有限公司). Mr. He joined the Group in November 2012 and is responsible for part of the business of Fantasia Property Management (International) Co., Ltd. Prior to joining the Group, he was the assistant to the general manager of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司) from July 2006 to October 2012, the officer of the management office of Shenzhen Baoli Property Management Co., Ltd. (深圳市保利物業管理有限公司) from June 2004 to July 2006, the officer of the management office of Sanyi Property Management Co., Ltd. (三益物業管理有限公司) from March 2001 to May 2004 and the assistant to the officer of Shenzhen Mission Hills Golf Club (深圳市觀瀾湖高爾夫球會) from March 1999 to February 2001. Mr. He completed his tertiary education in Property Management from Jinan University in 2011.

Mr. QIU Zhidong (邱志東), aged 48, is the general manager of Shenzhen Fantasia Business Management Company Limited (深圳花樣年商業管理有限公司). Mr. Qiu joined the Group in June 2013 and is responsible for the overall daily operation and management of Shenzhen Fantasia Business Management Company Limited. Prior to joining the Group, he was the vice president of Shenzhen

Jinguanghua Shiye Group (深圳金光華實業集團) from 2005 to 2013, the managing director of Shenzhen Jinguanghua Business Company Limited (深圳市金光華商業有限公司) from 2003 to 2005, the general manager of Shenzhen Modern Friendship Co., Ltd (現代友誼股份有限公司)/Shenzhen Friendship Department Store Company Limited (深圳友誼城百貨有限公司) from 1997 to 2003, the deputy director of Cadres Division of Organization Department (組織部幹部處) and Managerial Division of Corporate Leading Officers (企業領導人員管理處) of Shenzhen Municipal Committee of CPC (中共深圳市委) from 1992 to 1997, the official of Cadre Department of Organization Department of Chaozhou Municipal Committee of CPC (中共潮州市委組織部幹部科) from 1988 to 1992 and the teacher of Chaozhou High School (潮州高級中學) in Guangdong in 1988. Mr. Qiu received a Master's degree in Business Administration from Hong Kong Baptist University in 2003 and a Bachelor's degree in Computer Science from Hanshan Normal University (韓山師範學院) in Guangdong Province in 1988.

Mr. YUAN Yuzhang (遠玉章), aged 39, is the deputy general manager of Shenzhen Fantasia Business Management Company Limited (深圳花樣年商業管理有限公司). Mr. Yuan joined the Group in June 2012 and is responsible for the operation of department of planning and design and project management department of Shenzhen Fantasia Business Management Company Limited. Prior to joining the Group, he was the deputy general manager of Daqing Sartu Project of Wanda Plaza Investment Company Limited (萬達廣場投資有限公司) from 2009 to 2012, the deputy general manager of Design Department of Shenzhen Changcheng Investment Holding Co. Ltd (深圳長城投資控股股份有限公司) from 2006 to 2009 and the officer of Architecture Department of Jilin Architecture and Design Institute (吉林建築設計院建築室) from 1998 to 2005. Mr. Yuan received a Bachelor's degree in Architecture from Northwest Architecture and Engineering Institute (西北建築工程學院) in 1998.

Mr. GAO Ningwen (高寧文), aged 45, is the deputy general manager of Shenzhen Futainian Senior Care Investment Management Co., Ltd (深圳市福泰年投資管理有限公司). Mr. Gao joined the Group in June 2005 and was appointed this position in 2013, and is responsible for the development and management of the project of senior's housing. He was the deputy general manager of Dalian Huawanli Real Estate Development Co., Ltd. (大理市花萬裡房地產開發有限公司) from 2010 to 2013, the officer of operation office and the manager of general manager office of Fantasia (Chengdu) Ecological Tourism Development Company Limited (花樣年(成都)生態旅遊開發有限公司) from 2006 to 2010 and the officer of Service Division of Chengdu Branch of Fantasia Property (花樣年物業成都公司) from 2005 to 2006. Prior to joining the Group, he was the vice manager of Lanzhou Pharmaceutical Company (蘭州醫藥公司) from 2002 to 2005. Mr. Gao graduated from the economic administration profession of Party School of Ningxia Autonomous Region (寧夏自治區黨校) in 1996.

Mr. SONG Chengchang (宋誠昌), aged 36, is the general manager of the financial leasing business of Qianhai Fantasia Financial Services Company Limited, Shenzhen (深圳市前海花樣年金融服務有限公司). Mr. Song joined the Group in July 2013 and is responsible for the overall management of the financial leasing business of Qianhai Fantasia Financial Services Company Limited, Shenzhen. Prior to joining the Group, he was the vice president of Guangzhou Yuexiu Financial Leasing Co., Ltd. (廣州越秀融資租賃有限公司) from 2012 to 2013, the manager of Jiangnan Sun-branch of Industrial Bank Co. Ltd., Guangzhou Branch (興業銀行廣州分行江南支行) from 2010 to 2012, general manager of corporate finance of Ping An Bank Guangzhou Branch (平安銀行廣州分行) from 2008 to 2010, the wealth manager of Citibank (China) Co. Ltd. Guangzhou Branch (美國花旗銀行廣州分行) from 2004 to 2008, the manager of marketing department of Guangzhou Commercial Bank (廣州市商業銀行) from 1998 to 2004. Mr. Song received a Master's degree in MBA from Sun Yat-sen University in 2008 and a Bachelor's degree in International Finance from Sun Yat-sen University in 1998.

Mr. DONG Xiaogang (董小剛), aged 36, the general manager of financial development department of Fantasia Holdings Group (China) Co., Limited (花樣年集團(中國)有限公司). Mr. Dong joined the Group in January 2014 and is responsible for financial development department. Prior to joining the Group, he was the senior consultant for financial industry of Roland Berger Strategy Consultants (羅蘭貝格國際管理諮詢公司) from 2012 to 2013, the strategic manager of International Far Eastern Leasing Co. Ltd (遠東國際租賃公司) from 2009 to 2012, the chief financial officer of Qinhe Molding Company (秦合模具公司) from 2007 to 2009, the project manager of head office of Sino Life Insurance (生命人壽總公司) from 2003 to 2005 and the business planning specialist of Ping An Insurance Group (平安保險集團) from 2000 to 2002. Mr. Dong received a financial MBA from China Europe International Business School (中歐國際工商管理學院) (CEIBS) in 2007 and a Bachelor's Degree in Economics from Shanghai University of Finance and Economics (上海財經大學) in 2000.

Mr. CHEN Zhiguang (陳致光), aged 58, is the vice president of Shenzhen Fantasia Culture Tourism Management Company Limited (深圳市花樣年文化旅遊管理有限公司). Mr. Chen joined the Group in August 2014 and is responsible for the back-end business and new overseas business of Shenzhen Fantasia Culture Tourism Management Company Limited including finance, human resources and operation. Prior to joining the Group, he was the officer-in-charge of Standard Chartered Bank, Taiwan branch (台灣渣打銀行分行) from 2004 to 2014, the general manager of credit card business of American International Group (美國國際集團) from 2001 to 2004, the vice president of credit card business of Taiwan Region of Citibank (美國花旗銀行) from 1993 to 2001 and the general manager of consumer goods licensing (消費授權總經理) of Taiwan Disney from 1989 to 1993. Mr. Chen received a Bachelor's degree in Chemical and Chemical Engineering from Cheng Kung University (成功大學) in Taiwan in 1981.

Mr. LAW Saikuen (羅世權), aged 52, is the assistant president of Shenzhen Fantasia Culture Tourism Management Company Limited (深圳市花樣年文化旅遊管理有限公司). Mr. Law joined our Group in November 2010 and is responsible for the business of scenic spots (景區), clubs, art museums and hotels of Shenzhen Fantasia Culture Tourism Management Company Limited. Prior to joining our Group, he was the project manager of Shangri-la Hotel Management Co., Ltd. (香格里拉酒店管理有限公司) from 2003 to 2010 and the senior project manager of Decca Holdings Limited (達藝控股有限公司) from 1996 to 2003. Mr. Law received a Master's degree in project management from Sydney Institute of Technology (悉尼技術學院) in 2004.

Company Secretary

Mr. LAM Kam Tong (林錦堂), aged 46. For details regarding Mr. Lam's experience, see the paragraph entitled "Directors" above in this section.

Board Committees

Audit Committee

Our Company established an audit committee on October 12, 2009 with written terms of reference as amended, in compliance with the Listing Rules. The audit committee is responsible for the engagement of the external auditor, review of the Group's financial information and oversight of the Group's financial reporting system and internal control and risk management procedures and reviewing the Group's financial and accounting policies and practices.

The audit committee comprises five members, namely, Mr. HO Man (何敏), Mr. HUANG Ming (黃明), Dr. Liao Jianwen, Ms. Wong Pui-sze, Priscilla, JP and Mr. Guo Shaomu. They are all independent non-executive directors. The audit committee is chaired by Mr. HO Man (何敏).

Remuneration Committee

Our Company established a remuneration committee on October 12, 2009 with written terms of reference as amended, in compliance with the Listing Rules. The remuneration committee is responsible for making recommendations to the board on the Company's remuneration policy and structure for all directors and senior management and on the establishment of a formal and transparent procedure for developing such policy.

The remuneration committee comprises five members, namely, Mr. HUANG Ming (黃明), Mr. HO Man (何敏), Dr. Liao Jianwen, Ms. Wong Pui-sze, Priscilla, JP and Mr. Guo Shaomu. The remuneration committee is chaired by Mr. HUANG Ming (黃明).

Nomination Committee

Our Company established a nomination committee on October 12, 2009 with written terms of reference as amended in compliance with the Listing Rules. The nomination committee is responsible for reviewing the structure, size and composition of the board, assessing the independence of the independent non-executive directors and making recommendations to the board on the appointment and re-appointment of directors.

The nomination committee comprises seven members, namely, Mr. PAN Jun (潘軍), Mr. HO Man (何敏), Mr. HUANG Ming (黃明), Ms. ZENG Jie, Baby (曾寶寶), Dr. Liao Jianwen (廖長江), Ms. Wong Pui-sze, Priscilla, JP (黃沛詩) and Mr. Guo Shaomu. The nomination committee is chaired by Mr. PAN Jun (潘軍).

Compensation of Directors and Senior Management

The Group's remuneration policies are formulated based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly.

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during each of the three years ended December 31, 2012, 2013 and 2014 to those persons who have been or are our directors, was approximately RMB9.8 million, RMB14.8 million and RMB20.3 million (US\$3.3 million), respectively.

Share Option Scheme

We adopted our share option scheme on October 27, 2009 in order to reward eligible participants who contribute to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants include our directors and employees and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who our board of directors considers, in its sole discretion, have contributed or will contribute to the Group. We have granted options to certain of our directors and employees and, as of December 31, 2014, options to subscribe for up to 108,990,000 shares of our Company are outstanding.

Directors' and Chief Executives' Interests

As of December 31, 2014, the interests and short positions of our directors and chief executives in the shares and underlying shares of the Company, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO") (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Director	Nature of Interests	Number of Shares Held	Interest in Underlying Shares	Approximate Percentage of Shareholding
Ms. Zeng Jie, Baby	Interest of controlled corporation ⁽¹⁾	3,302,166,000	–	57.35%
	Beneficial owner	–	9,980,000 ⁽²⁾	0.17%
Mr. Pan Jun	Beneficial owner	–	9,980,000 ⁽²⁾	0.17%
Mr. Lam Kam Tong	Beneficial owner	–	2,770,000 ⁽²⁾	0.05%
Mr. Wang Liang	Beneficial owner	–	6,580,000 ⁽²⁾	0.11%
Mr. Ho Man	Beneficial owner	–	1,600,000 ⁽²⁾	0.03%
Mr. Huang Ming	Beneficial owner	–	1,600,000 ⁽²⁾	0.03%
Mr. Xu Quan (resigned on February 17, 2015)	Beneficial owner	–	1,600,000 ⁽²⁾	0.03%

Notes:

- (1) *Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.*
- (2) *The relevant Director was granted options to subscribe for such number of shares of the Company under the Scheme (as defined under the sub-section headed "Share Option Scheme" in the "Corporate Governance and Other Information" section below) on August 29, 2011 and October 16, 2012 (in the case of Mr. Wang Liang).*

PRINCIPAL SHAREHOLDERS

As of the date of the offering memorandum, so far as the directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Director	Nature of interest	Number of issued ordinary shares of the Company	Interest in underlying Shares of the Company	Approximate percentage of interest in the Company as of December 31, 2014
Ms. Zeng Jie, Baby	Interest of controlled corporation ⁽¹⁾	3,302,166,000	–	57.35%
	Beneficial owner	–	9,980,000 ⁽²⁾	0.17%
Mr. Pan Jun	Beneficial owner	–	9,980,000 ⁽²⁾	0.17%
Mr. Lam Kam Tong	Beneficial owner	–	2,770,000 ⁽²⁾	0.05%
Mr. Wang Liang	Beneficial owner	–	6,580,000 ⁽²⁾	0.11%
Mr. Ho Man	Beneficial owner	–	1,600,000 ⁽²⁾	0.03%
Mr. Huang Ming	Beneficial owner	–	1,600,000 ⁽²⁾	0.03%
Mr. Xu Quan (resigned on February 17, 2015)	Beneficial owner	–	1,600,000 ⁽²⁾	0.03%

Notes:

- (1) *Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.*
- (2) *The relevant Director was granted options to subscribe for such number of shares of the Company under the Scheme (as defined under the sub-section headed “Share Option Scheme” in the “Corporate Governance and Other Information” section below) on August 29, 2011 and October 16, 2012 (in the case of Mr. Wang Liang).*

Except as disclosed above, as of the date of the offering memorandum, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between us or our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

The table below sets forth certain material transactions between us and our related parties during the three years ended December 31, 2012, 2013 and 2014:

Related parties	Relationship	Transactions	For the year ended December 31,			
			2012	2013	2014	2014
			(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US\$ in thousands)
						(unaudited)
Huidong Dayawan San Jiao Zhou Company Limited 惠東縣大亞灣三角洲俱樂部有限公司	A related company controlled by Ms. Zeng Jie, Baby, a controlling shareholder and director of the Company	Management service fee received	612	95	–	–
Shenzhen Xi Fu Hui Club Management Company Limited 深圳喜福會會所管理有限公司	A related company controlled by Ms. Zeng Jie, Baby, a controlling shareholder and director of the Company	Property rental income received	301	–	–	–
Shenzhen Cube Architecture Designing Consultants Company Limited 深圳立方建築設計顧問有限公司	An associate of Shenzhen Tianguo Investment Co., Ltd., a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Design services fee paid	1,099	2,118	1,142	280

During the three years ended December 31, 2012, 2013 and 2014, the Group sold certain properties to its key management personnel at a cash consideration of approximately RMB26.2 million, RMB10.8 million and RMB3.0 million (US\$0.5 million), respectively.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of December 31, 2014, our total borrowings (excluding the 2010 Notes, the 2012 Notes, the January 2013 Notes, the May 2013 Notes, the 2014 Notes and amounts due to related parties) amounted to RMB7,774.4 million (US\$1,253.0 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks and financial institutions, including Industrial and Commercial Bank of China, The Agricultural Bank of China, Huaxia Bank, China Everbright Bank, Bank of China, ICBC (Asia), Chang'an International Trust, China Merchants Bank, Bank of Hangzhou, Bank of Communications, Rural Commercial Bank, Standard Chartered Bank, Baoshang Bank, Ping'an Bank, Bank of East Asia, Shenzhen HTI Guarantee Co., Ltd., China CITIC Bank and Bank of Xiamen. These loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from 12 months to 96 months, which generally correspond to the construction periods of the particular projects. As of December 31, 2014, the aggregate outstanding amount under these loans totaled approximately RMB7,510.2 million (US\$1,210.4 million), of which RMB4,038.1 million (US\$650.8 million) was due within one year and RMB3,472.1 million (US\$559.6 million) was due between one and five years. Our PRC loans are typically secured by land use rights, properties and bank deposits as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2014, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 7.11% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks and financial institutions in connection with some of the PRC loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Certain of our PRC loans are guaranteed by our executive director and controlling shareholder, Ms. Zeng Jie, Baby and/or our chairman, executive director and chief executive officer, Mr. Pan Jun. Further, as of December 31, 2014, RMB6,086.2 million (US\$980.9 million) of the PRC loans were secured by land use rights, properties held by the subsidiary borrowers and/or our other PRC subsidiaries.

Dividend Restrictions

Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries also agreed not to distribute any dividend:

- before prior notice has been made to or written approval has been obtained (if the proposed dividend exceeds a certain percentage of such subsidiary's net profit) from the lender; or
- before the principal amount of and accrued interest on the relevant loan have been fully paid.

Perpetual Capital Instruments

In April 2014, Huawanli Investment (Beijing) Company Limited (花萬裡投資(北京)有限公司), one of our wholly owned subsidiaries, entered into a series of agreements pursuant to which it issued perpetual capital instruments, or the Perpetual Capital Instruments, with a principal amount of RMB700.0 million (US\$112.8 million). The Perpetual Capital Instruments are treated as equity for accounting purposes.

Maturity and redemption

The Perpetual Capital Instruments do not have a maturity date and do not have any mandatory redemption options. If the issuer commences liquidation, it must redeem the instruments and repay the principal and all unpaid distributions.

Distribution

The Perpetual Capital Instruments provide for annual distributions. We may elect to defer our distributions provided that we do not pay dividends on the capital stock of our Company and the issuer of the Perpetual Capital Instruments for that year, subject to a premium on the deferred distribution.

Guarantee and Collateral

The Perpetual Capital Instruments are jointly guaranteed by Fantasia Group (China) Company Limited (花樣年集團(中國)有限公司), one of our wholly owned subsidiaries, our executive director and controlling shareholder, Ms. Zeng Jie, Baby, and our chairman, executive director and chief executive officer, Mr. Pan Jun.

The issuer's obligations under the Perpetual Capital Instruments are secured by a pledge of the shares of the issuer and certain land use rights held by the issuer for the benefit of the holder of the Perpetual Capital Instruments. The security interest over the collateral will be released after all obligations under the Perpetual Capital Instruments have been paid in full.

2012 Notes

On September 27, 2012, we entered into an indenture (as amended and supplemented from time to time, the “2012 Indenture”) pursuant to which we issued US\$250,000,000 principal amount of the 13.75% Senior Notes due 2017. As of the date of this offering memorandum, the entire principal amount of the 2012 Notes remained outstanding.

Guarantee

Our obligations under the 2012 Notes are guaranteed by our existing subsidiaries (the “2012 Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2012 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2012 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2012 Indenture. Each of the 2012 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 2012 Notes.

Collateral

In order to secure the obligations under the 2012 Notes, the Company and the 2012 Subsidiary Guarantors under the 2012 Indenture pledged the capital stock of all such 2012 Subsidiary Guarantors for the benefit of the holders of the 2012 Notes (the “2012 Notes Collateral”). The 2012 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 2012 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2012 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2012 Indenture.

Interest

The 2012 Notes bear an interest rate of 13.75% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2012 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;
- engaging in any business other than permitted business;
- 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 2012 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2012 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 2012 Indenture. If an event of default occurs and is continuing, the trustee under the 2012 Indenture or the holders of at least 25% of the outstanding 2012 Notes may declare the principal of the 2012 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 2012 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 2012 Notes is September 27, 2017.

At any time, we may redeem the 2012 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2012 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

At any time prior to September 27, 2015, we may redeem up to 35% of the aggregate principal amount of the 2012 Notes at a redemption price equal to 113.75% of the principal amount of the 2012 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 2012 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2012 Notes at a redemption price equal to 100% of the principal amount of the 2012 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On September 27, 2012, the Company, the subsidiary guarantor pledgors under the Indenture, the common security agent, the trustee for the 2010 Notes for the benefit of holders of the 2010 Notes and the trustee for the 2012 Notes for the benefit of holders of the 2012 Notes entered into an intercreditor agreement (as amended from time to time, the "Intercreditor Agreement"). The Intercreditor Agreement provides that the security interests created by the 2012 Notes Collateral will be shared on a *pari passu* basis among (i) the holders of the 2010 Notes, (ii) the holders of the 2012 Notes and (iii) any holder of permitted *pari passu* secured indebtedness or their representatives who become parties to the intercreditor agreement.

January 2013 Notes

On January 22, 2013, we entered into an indenture (as amended and supplemented from time to time, the "January 2013 Indenture") pursuant to which we issued US\$250,000,000 principal amount of the 10.75% Senior Notes due 2020. As of the date of this offering memorandum, the entire principal amount of the January 2013 Notes remained outstanding.

Guarantee

Our obligations under the January 2013 Notes are guaranteed by our existing subsidiaries (the “January 2013 Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the January 2013 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a January 2013 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the January 2013 Indenture. Each of the January 2013 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the January 2013 Notes.

Collateral

In order to secure the obligations under the January 2013 Notes, the Company and the January 2013 Subsidiary Guarantors under the January 2013 Indenture pledged the capital stock of all such January 2013 Subsidiary Guarantors for the benefit of the holders of the January 2013 Notes (the “January 2013 Notes Collateral”). The January 2013 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 January 2013 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the January 2013 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the January 2013 Indenture. The trustee for the January 2013 Notes acceded to the Intercreditor Agreement, which had provided that the collateral under the January 2013 Notes is to be shared on a *pari passu* basis among the holders of the 2010 Notes, the holders of the 2012 Notes, the holders of the January 2013 Notes and the holders of other permitted *pari passu* indebtedness.

Interest

The January 2013 Notes bear an interest rate of 10.75% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2013 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;
- engaging in any business other than permitted business;
- 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 January 2013 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2013 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2013 Indenture. If an event of default occurs and is continuing, the trustee under the January 2013 Indenture or the holders of at least 25% of the outstanding January 2013 Notes may declare the principal of the January 2013 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding January 2013 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2013 Notes is January 22, 2020.

At any time, we may redeem the January 2013 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2013 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

At any time prior to January 22, 2016, we may redeem up to 35% of the aggregate principal amount of the January 2013 Notes at a redemption price equal to 110.75% of the principal amount of the January 2013 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 January 2013 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the January 2013 Notes at a redemption price equal to 100% of the principal amount of the January 2013 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

May 2013 Notes

On May 27, 2013, we entered into an indenture (as amended and supplemented from time to time, the "May 2013 Indenture") pursuant to which we issued RMB1,000,000,000 principal amount of the 7.875% Senior Notes due 2016. As of the date of this offering memorandum, the entire principal amount of the May 2013 Notes remained outstanding.

Guarantee

Our obligations under the May 2013 Notes are guaranteed by our existing subsidiaries (the "May 2013 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the May 2013 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a May 2013 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the May 2013 Indenture. Each of the May 2013 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the May 2013 Notes.

Collateral

In order to secure the obligations under the May 2013 Notes, the Company and the May 2013 Subsidiary Guarantors under the May 2013 Indenture pledged the capital stock of all such May 2013 Subsidiary Guarantors for the benefit of the holders of the May 2013 Notes (the "May 2013 Notes Collateral"). The May 2013 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 May 2013 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the May 2013 Notes and the related subsidiary

guarantees, and other *pari passu* secured indebtedness permitted under the May 2013 Indenture. The trustee for the May 2013 Notes acceded to the Intercreditor Agreement, which had provided that the collateral under the May 2013 Notes is to be shared on a *pari passu* basis among the holders of the 2010 Notes, the holders of the 2012 Notes, the holders of the January 2013 Notes, the holders of the May 2013 Notes and the holders of other permitted *pari passu* indebtedness.

Interest

The May 2013 Notes bear an interest rate of 7.875% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the May 2013 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;
- engaging in any business other than permitted business;
- 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 May 2013 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the May 2013 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the May 2013 Indenture. If an event of default occurs and is continuing, the trustee under the May 2013 Indenture or the holders of at least 25% of the outstanding May 2013 Notes may declare the principal of the May 2013 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 May 2013 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 May 2013 Notes is the interest payment date on or nearest to May 27, 2016.

At any time, we may redeem the May 2013 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the May 2013 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

At any time prior to May 27, 2016, we may redeem up to 35% of the aggregate principal amount of the May 2013 Notes at a redemption price equal to 107.875% of the principal amount of the May 2013 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 May 2013 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the May 2013 Notes at a redemption price equal to 100% of the principal amount of the May 2013 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2014 Notes

On January 23, 2014, we entered into an indenture (as amended and supplemented from time to time, the "2014 Indenture") pursuant to which we issued US\$300,000,000 principal amount of the 10.625% Senior Notes due 2019. As of the date of this offering memorandum, the entire principal amount of the 2014 Notes remained outstanding.

Guarantee

Our obligations under the 2014 Notes are guaranteed by our existing subsidiaries (the "2014 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2014 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2014 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2014 Indenture. Each of the 2014 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 2014 Notes.

Collateral

In order to secure the obligations under the 2014 Notes, the Company and the 2014 Subsidiary Guarantors under the 2014 Indenture pledged the capital stock of all such 2014 Subsidiary Guarantors for the benefit of the holders of the 2014 Notes (the "2014 Notes Collateral"). The 2014 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 2014 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2014 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2014 Indenture. The trustee for the 2014 Notes acceded to the Intercreditor Agreement, which had provided that the collateral under the 2014 Notes is to be shared on a *pari passu* basis among the holders of the 2010 Notes, the holders of the 2012 Notes, the holders of the January 2013 Notes, the holders of the May 2013 Notes, the holders of the 2014 Notes and the holders of other permitted *pari passu* indebtedness.

Interest

The 2014 Notes bear an interest rate of 10.625% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2014 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 certain restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- 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 2014 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2014 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 2014 Indenture. If an event of default occurs and is continuing, the trustee under the 2014 Indenture or the holders of at least 25% of the outstanding 2014 Notes may declare the principal of the 2014 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 2014 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 2014 Notes is January 23, 2019.

At any time, we may redeem the 2014 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2014 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

At any time prior to January 23, 2014, we may redeem up to 35% of the aggregate principal amount of the 2014 Notes at a redemption price equal to 110.625% of the principal amount of the 2014 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 2014 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2014 Notes at a redemption price equal to 100% of the principal amount of the 2014 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of December 31, 2014, the aggregate outstanding amount guaranteed was RMB4,778.1 million (US\$770.1 million).

Offshore Facility Agreements

2014 ICBC (US) Loan

In April 2014, Fantasia 373 Hotel (US), LLC, our wholly owned subsidiary that is not a 2012 Subsidiary Guarantor, a January 2013 Subsidiary Guarantor, a May 2013 Subsidiary Guarantor, or a 2014 Subsidiary Guarantor and will not guarantee the Notes, as borrower, entered into a US\$22.2 million loan agreement with Industrial And Commercial Bank of China (USA) NA and Industrial And Commercial Bank of China Limited, New York Branch, as lenders. In connection with the loan agreement, Fantasia Investment Holdings Co., Limited, our wholly owned subsidiary that is a 2012 Subsidiary Guarantor, a January 2013 Subsidiary Guarantor, a May 2013 Subsidiary Guarantor, a 2014 Subsidiary Guarantor and will also guarantee the Notes, provided a guarantee in favor of the lenders for the entire amount of the loan agreement.

Japan Loan Agreements

Tokyo Fantasia Investment Co., Ltd., our wholly owned subsidiary that is not a 2012 Subsidiary Guarantor, a January 2013 Subsidiary Guarantor, a May 2013 Subsidiary Guarantor, or a 2014 Subsidiary Guarantor and will not guarantee the Notes, as borrower, entered into three Japanese yen loan agreements with certain Japanese banks including The Nishi-Nippon Bank, Ltd., The Shoko Chukin Bank, Ltd. and Sumitomo Mitsui Banking Corporation, as lenders. As of December 31, 2014, the aggregate outstanding amount under these loans totaled approximately RMB42.4 million (US\$6.8 million).

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Fantasia Holdings Group Co., Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as the “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of June 1, 2015, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, the Intercreditor Agreement (as defined below), the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Intercreditor Agreement, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference.

Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 50/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

Brief Description of the Notes

The Notes are:

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

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

- be entitled to the benefit of a lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with holders of the Existing *Pari Passu* Secured Indebtedness and holders of the Permitted *Pari Passu* Secured Indebtedness; and

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

The Notes will mature on June 1, 2018, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 11.50% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on June 1 and December 1 of each year (each an “Interest Payment Date”), commencing December 1, 2015. Interest on the Notes will be paid to Holders of record at the close of business on May 16 or November 15 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under “Optional Redemption” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying and Transfer Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust administration office of the Paying and Transfer Agent), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) and (ii) Talent Bright International Limited, Fantasia Property Management (International) Company Limited, Winning Sky International Limited, Hong Kong Kangnian Trading Co., Limited, One Ever Global Limited, Mass Success Global Limited, Mass Success Global UK Limited, Fantasia Investment Holdings (US) Corporation, Fantasia Hotel Management (US), LLC and Fantasia 373 Hotel (US), LLC. (the “Initial Other Non-Guarantor Subsidiaries”).

The Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a Subsidiary and designate such Subsidiary as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, if applicable, the Collateral Agent (as defined below):
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent for itself and for the benefit of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of December 31, 2014, the Company and its consolidated subsidiaries had total debt (other than the 2010 Notes, the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes) of approximately RMB7,774.4 million (US\$1,253.0 million), of which approximately RMB7,636.2 million (US\$1,230.7 million) was secured.

As of December 31, 2014, the Non-Guarantor Subsidiaries had total liabilities of approximately RMB8,780.2 million (US\$1,415.1 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB4,217.1 million (US\$679.7 million) and contingent liabilities of approximately RMB4,642.6 million (US\$748.3 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC or Exempted Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (the “New Non-Guarantor Subsidiaries,” together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”), *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries) do not account for more than 10% of the Total Assets of the Company.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantee is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, are referred to herein as the “Non-Guarantor Subsidiaries.”

Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC and the Other Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

In addition, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to the benefit of a security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “— Security” shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with holders of the Existing *Pari Passu* Secured Indebtedness and holders of the Permitted *Pari Passu* Secured Indebtedness; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor’s liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor’s liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.”

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under “— Defeasance — Defeasance and Discharge;”
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) (other than Exempted Subsidiaries) do not account for more than 10% of the Total Assets of the Company. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting

the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, if applicable, the Collateral Agent:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent for itself and for the benefit of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries" except those listed under "— Definitions — Unrestricted Subsidiary." Under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Security

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of the initial Subsidiary Guarantors (the "Collateral") (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date in order to secure the obligations of the Company and the Subsidiary Guarantors under the Existing Pari Passu Secured Indebtedness, the Notes and the Subsidiary Guarantees and the Permitted Pari Passu Secured Indebtedness.

The initial Subsidiary Guarantor Pledgors are Fantastic Victory Limited, Wisdom Regal Limited and Fantasia Financial Holdings Group Co., Ltd (formerly known as "Strong Nova Holdings Limited").

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent for itself and for the benefit of the Trustee.

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, (i) the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor, and (ii) any additional shares of Capital Stock of a Subsidiary Guarantor or JV Subsidiary Guarantor acquired or otherwise received by the Company or such Subsidiary Guarantor, as soon as practicable, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above. The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) by the holders of the Notes, the holders of the Existing Pari Passu Secured Indebtedness and the holders of the Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "— Release of Security" and "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness."

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any Pari Passu Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Guarantee, “Permitted Pari Passu Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock,” (2) the holders (or their representative) of such Indebtedness (other than Additional Notes) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents or (y) no such action is necessary to make such Lien effective. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph and the terms of the Indenture (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, the initial Subsidiary Guarantor Pledgors, Citicorp International Limited, as collateral agent (the “Collateral Agent”), Citicorp International Limited, as trustee with respect to the 2010 Notes and Citicorp International Limited, as trustee with respect to the 2012 Notes have entered into an intercreditor agreement (to which Citicorp International Limited, as trustee with respect to the January 2013 Notes acceded on January 22, 2013, as trustee with respect to the May 2013 Notes acceded on May 27, 2013 and as trustee with respect to the 2014 Notes acceded on January 23, 2014; as so amended, supplemented or modified from time to time, the “Intercreditor Agreement”) dated as of September 27, 2012. Citicorp International Limited, as trustee with respect to the 2010 Notes, was released as a secured party to the Intercreditor Agreement after the 2010 Notes were repaid in full at maturity on May 12, 2015. The Trustee will accede to the Intercreditor Agreement on the Original Issue Date, pursuant to which the

Trustee will agree to (1) share equal priority and *pro rata* entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which they will enforce their respective rights with respect to such Collateral and the Indebtedness secured thereby.

In connection with the Incurrence of any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representatives or agents) will accede to the Intercreditor Agreement to include the holders (or their representatives or agents) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement that may be required under the terms of the Indenture.

Enforcement of Security

The Liens (subject to Permitted Liens) securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors have been granted to the Collateral Agent for itself and for the benefit of the Trustee, the respective trustee for each series of the Existing Pari Passu Secured Indebtedness. The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders to exercise remedies under the Security Documents. The Trustee has agreed to act as secured party on behalf of the holders under the applicable Security Documents, to follow, or cause to be followed, the instructions provided to it under the Indenture, the Intercreditor Agreement and the Security Documents and to carry out certain other duties.

The Indenture, the Intercreditor Agreement and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Collateral Agent has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Secured Parties Representative to do so if it does not identify a conflict between the Secured Parties' interests or a conflict between instructions (in the event at least two Secured Parties issue instructions), and in the case of conflicting instructions delivered by two or more Secured Parties Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the holders of a majority of the outstanding principal amount of the Indebtedness secured by the Collateral. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral — The Intercreditor Agreement may limit the rights of holders of the Notes to enforce the Collateral."

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

first, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any expenses (including reasonable expenses of its counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Intercreditor Agreement and the Security Documents;

second, to the extent not reimbursed under the above paragraph, to the Trustee, the trustee for each series of the Existing Pari Passu Secured Indebtedness and other Secured Parties Representatives, to the extent necessary to reimburse the foregoing persons ratably for any unpaid fees, costs and expenses

(including expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable expenses of counsel) incurred under the Security Documents and the agreement governing the Notes, the Existing Pari Passu Secured Indebtedness or any Permitted Pari Passu Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Notes, the Existing Pari Passu Secured Indebtedness and the agreements governing the Notes, the Existing Pari Passu Secured Indebtedness or any Permitted Pari Passu Secured Indebtedness, the Intercreditor Agreement, the Security Documents and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the Notes, the Existing Pari Passu Secured Indebtedness and the agreement governing the Notes, the Existing Pari Passu Secured Indebtedness or any Permitted Pari Passu Secured Indebtedness, the Intercreditor Agreement and the Security Documents;

third, ratably to each of the trustee for each series of the Existing Pari Passu Secured Indebtedness for the benefit of the holders of such Existing Pari Passu Secured Indebtedness and the Trustee for the benefit of the holders of the Notes and, to the extent applicable, to other Secured Parties for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the paragraphs above), inclusive of any reasonable fees and expenses of the foregoing persons and the principal, interest and premium thereon and for the benefit of the holders each thereof in accordance with the terms of the Notes, the Existing Pari Passu Secured Indebtedness or the agreement governing the Notes, the Existing Pari Passu Secured Indebtedness or any Permitted Pari Passu Secured Indebtedness; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge;"
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "—

Limitation on Asset Sales” or in accordance with the provision under the caption “— Consolidation, Merger and Sale of Assets;”

- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Subsidiary; or
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below.

Optional Redemption

At any time prior to June 1, 2018, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption.

At any time and from time to time prior to June 1, 2018, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 111.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or
- (2) if the Notes are not listed on any national securities exchange or if there is no applicable requirement of the principal stock exchange on which the Notes are listed, in compliance with the requirements of the clearing systems if the Notes are held through any clearing systems, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all", as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a “Relevant Jurisdiction”), or the jurisdiction through which payments are made, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note, the Subsidiary Guarantees or the JV Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction or the jurisdiction through which payments are made, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

- (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder's or its beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction or the jurisdiction through which payments are made, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
- (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction or the jurisdiction through which payments are made, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or governmental charge;
- (c) any withholding or deduction that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive amending, supplementing or replacing such Directive or any law implementing or complying with, or introduced in order to conform to, such Directives;
- (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any other agreement pursuant to the implementation of FATCA; or
- (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective, or in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.75 to 1.0. Notwithstanding the foregoing, the Company will not permit any Non-Guarantor Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
- (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any Pari Passu Guarantees;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;
 - (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
 - (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness Incurred and Preferred Stock issued under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (r), (s), (t) or (u) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor,

and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all such Indebtedness permitted by this clause (h) and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clauses (p) and (r) below and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by clauses (s), (t) and (u) below and then outstanding (together with refinancings thereof) does not exceed an amount equal to 20.0% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (f) or (h) above or clause (n) below or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
- (p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by an Insurance Company Investor in a Restricted Subsidiary *provided* that on the date of such Incurrence of all such Indebtedness or issuance of all such Preferred Stock and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by this clause (p) and clause (r) below and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by clauses (s), (t) and (u) below and then outstanding (together with refinancings thereof) does not exceed an amount equal to 20.0% of Total Assets;
- (q) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$10.0 million (or the Dollar Equivalent thereof);
- (r) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clause (p) above and this clause (r) and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by clauses (s), (t) and (u) below and then outstanding (together with refinancings thereof) does not exceed an amount equal to 20.0% of Total Assets;

- (s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clause (p) and clause (r) above and clauses (t) and (u) below and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by this clause (s) and then outstanding (together with refinancings thereof) does not exceed an amount equal to 20.0% of Total Assets;
 - (t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancing thereof but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clauses (p), (r) and (s) above and clause (u) below and then outstanding (together with refinancing thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by this clause (t) and then outstanding (together with refinancing thereof) does not exceed an amount equal to 20% of Total Assets;
 - (u) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties and Guarantees thereof by the Company or any Restricted Subsidiary, *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancing thereof but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clauses (p), (r), (s) and (t) above and then outstanding (together with refinancing thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by this clause (u) and then outstanding (together with refinancing thereof) does not exceed an amount equal to 20% of Total Assets; and
 - (v) Indebtedness constituting a Subordinated Shareholder Loan.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
 - (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than (i) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by any Insurance Company Investor;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;” or
- (c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the 2010 Notes were first issued and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
- (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus
- (v) US\$5.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be

excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) dividends paid to any Insurance Company Investor in respect of any Indebtedness outstanding on the Measurement Date or permitted to be Incurred under paragraph (2)(p) of the “Limitation on Indebtedness and Preferred Stock” covenant or, if Incurred after the Measurement Date but on or before the Original Issue Date, the corresponding provision of the Existing Pari Passu Secured Indebtedness;
- (7) cash payment in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this “— Limitation on Restricted Payments” covenant (as determined in good faith by the Board of Directors of the Company);
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; *provided further* that the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase made pursuant to this clause (8) does not exceed an amount equal to 3% of Total Assets;
- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination); or
- (10) the payment of any dividend or distribution payable or paid solely in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;

provided that, in the case of clause (2), (3), (4) or (10) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “— Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payment set forth in clauses (5) through (10) above), the Company will deliver to the Trustee an Officers’ Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm’s length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive

- in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
 - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;
 - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(h), 2(p), 2(r), 2(s), 2(t) or 2(u) or permitted under clause (2)(n) of the “— Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to Indebtedness of the type described in clause (2)(h), 2(p), 2(r), 2(s), 2(t) or 2(u) any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) for the sale of all of the shares of the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the "— Limitation on Asset Sales" covenant;
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary, *provided* that any remaining Investment in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and further *provided* that the Company complies with the "— Limitation on Asset Sales" covenant, *provided further* that, paragraph (b) of clause (16) of the definition of "Permitted Investment" shall not apply if such Restricted Payment would otherwise have been permitted under clause (16) of such definition; or
- (5) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (d), (m)(ii) (other than a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Subsidiary of such PRC Subsidiary) or (r) (in the case of

clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of cash deposits or bank accounts to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;

- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Colour Life Group entered into in connection with the Colour Life IPO, including but not limited to transactions entered into for purposes of any reorganization in connection with the Colour Life IPO and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Colour Life IPO;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Colour Life Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Colour Life IPO, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the Colour Life IPO and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading;
- (8) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with the proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the proposed Restructuring;
- (9) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the proposed Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the proposed Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading; and
- (10) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (9) of the second paragraph of the covenant entitled "— Limitation on Restricted Payments."

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “— Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among the Company and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand, and (iv) at any time when the Company’s Common Stock is listed on the Hong Kong Exchanges and Clearing Limited, any transaction between any of the Company or its Restricted Subsidiaries and TCL Corporation or its Subsidiaries; *provided* that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Businesses ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated under the caption “Use of Proceeds” in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments” (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group upon the designation of the Restructuring Group as Unrestricted Subsidiaries in connection with the proposed Restructuring, *provided* that (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, and (ii) immediately prior to the designation of the Restructuring Group as Unrestricted Subsidiaries, the Consolidated Assets of the Restructuring Group shall be no more than 5% of the Total Assets of the Company).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under “— Security”.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”; and
- (8) “— Certain Covenants — Limitation on Asset Sales”.

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement

the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarter periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company’s external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers’ Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as “Events of Default” in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under “— Consolidation, Merger and Sale of Assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions “— Repurchase of Notes upon a Change of Control Triggering Event” or “— Limitation on Asset Sales,” or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a Lien on the Collateral (subject to any Permitted Liens) in accordance with the covenant described under the caption “— Security;”
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$7.5 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture, the Intercreditor Agreement and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, or the Trustee may, in accordance with and subject to the Intercreditor Agreement, instruct the Collateral Agent to, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, instruct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Intercreditor Agreement and the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See the section entitled “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify on or before a date not more than 120 days after the end of each fiscal year that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;"

- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants-Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants-Anti-Layering,” clause (3) under “Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and Waiver

Amendments without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) provide for the assumption of the Company’s or any Subsidiary Guarantor or JV Subsidiary Guarantor’s obligations pursuant to or otherwise comply with the provisions described under “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear, Clearstream or any applicable clearing system;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee to supplement or amend the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);
- (11) make any other change that does not materially and adversely affect the rights of any Holder;
or
- (12) conform the text of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) or the Intercreditor Agreement to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) or the Intercreditor Agreement.

Amendments with Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes and the Agents may amend or waive future compliance by the Company with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (13) change the redemption date or the redemption price of the Notes from that stated under the captions “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture and as Collateral Agent with respect to the Collateral under the Intercreditor Agreement and other Security Documents. Citibank, N.A., London Branch has also been appointed as note registrar (the “Note Registrar”) and paying and transfer agent (the “Paying and Transfer Agent” and, together with the Trustee and the Note Registrar, the “Agents”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

None of the Trustee, the Paying and Transfer Agent, the Note Registrar, or the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Intercreditor Agreement or the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so, except as a result of the Agent's own fraud, gross negligence or willful misconduct.

Citicorp International Limited will initially act as Trustee and the Collateral Agent under the Security Documents in respect of the Lien over the Collateral. The Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Trustee and the Collateral Agent may have obligations under the Intercreditor Agreement or the Security Documents that are in conflict with the interests of the Holders and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any). Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any), unless such Holders and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any) have offered to the Trustee and/or the Collateral Agent indemnity and/or security satisfactory to the Trustee and/or the Collateral Agent against any loss, liability or expense.

If the Company maintains a paying and transfer agent with respect to the Notes in a member state of the European Union, such paying and transfer agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive amending, supplementing or replacing such Directive or any law implementing or complying with, or introduced in order to conform to, such Directives.

Citicorp International Limited will initially act as the Collateral Agent under the Security Documents in respect of the security over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents, the Indenture or the Intercreditor Agreement that are in conflict with the interests of the Trustee, the Holders and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any). Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any other Security Document for the benefit of the Holders or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any), unless such Holders and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any) have offered to the Trustee and/or the Collateral Agent indemnity and/or security satisfactory to it against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Collateral Agent in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying and transfer agent in U.S. dollars. The principal paying and transfer agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “— Additional Amounts.”

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to cease business permanently or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the note registrar in sufficient quantities and authenticated by the note registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the note registrar, through the relevant clearing system, with written instruction and other information required by the Company and the note registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail, if intended for the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Company at Block A, Shenzhen Funian Plaza, Intersection of Shihua Road and Zijing Road, Futian Free Trade Zone, Shenzhen 518048, Guangdong Province, China, attention: LAM Kam Tong, Company Secretary, or if intended for the Trustee at the corporate trust office of the Trustee located at 50/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, or if intended for the Paying and Transfer Agent or the Note Registrar, addressed to the Paying and Transfer

Agent or the Note Registrar, as the case may be, at the office of the Paying and Transfer Agent or the Note Registrar located at Ground Floor, 1 North Quay, Dublin 1, Ireland (with a simultaneous copy to the Trustee at the corporate trust office of the Trustee noted above); and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note Register. Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint National Corporate Research, Ltd. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to “— Security” will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the Notes” for which no definition is provided.

“2010 Notes” means the 14% Senior Notes due 2015 of the Company, which have been fully repaid.

“2012 Notes” means the 13.75% Senior Notes due 2017 of the Company.

“2014 Notes” means the 10.625% Senior Notes due 2019 of the Company.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after June 1, 2018, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the Notes at the maturity date of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption “— Consolidation, Merger and Sale of Assets;” and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits or bank accounts of the Company or a Restricted Subsidiary and/or (ii) Guaranteed by a Guarantee, letter of credit or similar instruments from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange currency or remit money onshore or offshore.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) the Permitted Holders are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the U.S. Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking, société anonyme, Luxembourg.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

“Collateral Agent” means Citicorp International Limited, as collateral agent under the Intercreditor Agreement, or its permitted successors or assigns.

“Colour Life Group” means the group of Subsidiaries of the Company which are solely engaged in property management, property services and ancillary property community businesses.

“Colour Life IPO” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in the Colour Life Group.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to June 1, 2018 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to June 1, 2018.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is received by the Trustee, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,

- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during

such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

- (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and/or losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains;

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted

Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Existing Pari Passu Secured Indebtedness” means the 2012 Notes, the January 2013 Notes, the May 2013 Notes and the 2014 Notes.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonably best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or (2) Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the “Limitation on Indebtedness and Preferred Stock” covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Insurance Company Investor” means an Independent Third Party that is an insurance company or a financial institution or an Affiliate thereof that invests in the Capital Stock of a Restricted Subsidiary.

“Intercreditor Agreement” has the meaning set forth under “— Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“January 2013 Notes” means the 10.75% Senior Notes due 2020 of the Company.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“May 2013 Notes” means the 7.875% Senior Notes due 2016 of the Company.

“Measurement Date” means May 12, 2010.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

- (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and Note Registrar and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying and Transfer Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying and Transfer Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying and Transfer Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying and Transfer Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall

promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the U.S. Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under this Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Ordinary Course Operating Lease” means the leases entered into in the ordinary course of its business by Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd. of serviced apartments that have been developed and sold by another Restricted Subsidiary to individual investors for a term of no more than three years, pursuant to which Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd. provides management services for such serviced apartments and retain any rental proceeds from tenants that it finds.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Guarantee” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Pan Jun or Zeng Jie Baby;

- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Limitation on Asset Sales;”
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business; and
- (16) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person primarily engaged in a Permitted Business; *provided* that:
 - (a) none of the other holders of Capital Stock of such Person is a Person described in clauses (x) or (y) of the first paragraph of the covenant described under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such holder being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture);
 - (b) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company must be able to incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;”
 - (c) no Default has occurred and is continuing or would occur as a result of such Investment; and
 - (d) such Investment, together with (x) the aggregate of all other Investments made under this clause (16) since the Original Issue Date, less (y) an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on or repayments of loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of such Person provided under this clause (16) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (i) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (ii) the initial amount of such Investment, or (D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this “Permitted Investment” definition), not to exceed, in each case, the amount of Investments (other than Permitted investments) made by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (16), will not exceed an aggregate amount equal to 15% of Total Assets;

- (17) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Colour Life Group in connection with the Colour Life IPO upon designation of the Subsidiaries in the Colour Life Group as Unrestricted Subsidiaries, *provided* that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Colour Life Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Colour Life IPO, (ii) at the time of such designation, the members of the Colour Life Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Colour Life Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed an amount equal to 5% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 5% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture); and *provided further* that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event;
- (18) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the proposed Restructuring upon designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, *provided* that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed an amount equal to 5% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 5% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture); and *provided further* that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event; and
- (19) Guarantees permitted under clause (s) or (t) of the second paragraph of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock.”

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “— Security — Permitted Pari Passu Secured Indebtedness”;
- (15) any interest or title of a lessor in the property subject to any operating lease;

- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of an Insurance Company Investor to secure Indebtedness Incurred under clause (2)(p) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (23) Liens Incurred on deposits made or bank account to secure Bank Deposit Secured Indebtedness of the type described under paragraph (r) of the second paragraph of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens on deposits to secure Entrusted Loans;
- (25) Liens securing Indebtedness permitted to be Incurred under clause (2)(q) of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;

- (26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause 2(o) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (27) Liens securing Indebtedness Incurred under clause (2)(s) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (28) Liens securing Indebtedness Incurred under clause (2)(t) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (29) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary Incurred under clause 2(u) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant; and
- (30) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “— Security — Permitted Pari Passu Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(a), (b), (d), (f) and (g) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market or Singapore Exchange Securities Trading Limited or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

“Qualified IPO” means an initial public offering, and a listing, of ordinary shares of a company on a Qualified Exchange; *provided* that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Rating Agencies” means (1) S&P and (2) Moody’s and (3) if S&P or Moody’s or both shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody’s or both, 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 Notes 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 (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets”, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets”, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both Moody’s and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Trustee, 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 Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in the Restructuring Group.

“Restructuring Group” means the group of Subsidiaries of the Company which are solely engaged in businesses related, ancillary or complementary to property development business including, as of the Original Issue Date, commercial property management, hotel management, financial leasing, community P2P financial business, retirement life services and educational consultancy business.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person. Notwithstanding the foregoing, “Sale and Leaseback Transaction” shall not include the sale or transfer of real property to another Person that is leased by the Company or any Restricted Subsidiary pursuant to an Ordinary Course Operating Lease.

“Secured Parties” means, collectively, (i) the trustee for each series of the Existing Pari Passu Secured Indebtedness (for itself and for the benefit of the holders of such series of the Existing Pari Passu Secured Indebtedness); (ii) the Trustee (for itself and for the benefit of the holders of the Notes); and (iii) (x) the holder of any Permitted Pari Passu Secured Indebtedness (if there is only one creditor with respect to any series of Permitted Pari Passu Secured Indebtedness) or (y) the representative or agent of the holders of any Permitted Pari Passu Secured Indebtedness (if there is more than one such creditor), in each case that has become a party to the Intercreditor Agreement on behalf of itself, or as the case may be, holder(s) of Permitted Pari Passu Secured Indebtedness.

“Secured Parties Representatives” means, collectively, the Trustee, the trustee for each series of the Existing Pari Passu Secured Indebtedness and the holders (or their representatives or agents) of any Permitted Pari Passu Secured Indebtedness, in each case that are parties to the Intercreditor Agreement or other similar agreements pursuant to the terms of the Indenture, if any.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee and/or any Holders in any or all of the Collateral.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, or group of Restricted Subsidiaries, that would, when taken together, be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term “10 percent” is used, the term “5 percent” shall be substituted therefor.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) does not provide any cash payment of interest.

“Subsidiary” means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; *provided*, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of “Designation of Restricted and Unrestricted Subsidiaries” covenant.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least “A” by S&P or Moody’s;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with Bank of China, Bank of Communications, China Agricultural Bank, China Everbright Bank, China Construction Bank, China Merchants Bank, Huaxia Bank, Shanghai Pudong Development Bank, Industrial Bank Co., Ltd., Nanyang Commercial Bank, Ltd., China Minsheng Banking Corp., Ltd., Shenzhen Ping An Bank, Hongkong and Shanghai Banking Corporation, Shenzhen Development Bank, Guangdong Development Bank, Bank of Chengdu, Shanghai Pudong Development Bank Co., Ltd. and Industrial Bank Co., Ltd., (ii) any other bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or Singapore whose long-term debt is rated as high or higher than any of those banks described in clause (i) of this paragraph or (iii) any other bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or Singapore; *provided* that, in the case of clause (iii), such deposits do not exceed US\$10.0 million (or the Dollar Equivalent thereof) with any single bank or US\$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter; and

- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or Singapore if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary. On the Original Issue Date, the Unrestricted Subsidiaries include Fantasia (Taiwan) Development Co., Ltd. (台灣花樣年開發股份有限公司), Fantasia Senior Housing Management Holdings Group Co., Limited, Fantasia Senior Housing Management Group Co., Limited, Fantasia Senior Housing Management Group (HK) Co., Limited, Fantasia Cultural Tourism Management Holdings Group Co., Limited, Fantasia Cultural Tourism Management Group (HK) Co., Limited, Fantasia Commercial Management Holdings Group Co., Limited, Fantasia Commercial Management Group (HK) Co., Limited, Fantasia Hotel Management Holdings Group Co., Limited, Fantasia Hotel Management Group Co., Limited (previously known as Precise Idea Limited), Fantasia Hotel Management Group (HK) Co., Limited (previously known as Fantasia Hotel Management (International) Company Limited), Colour Cloud Holdings Group Co., Limited, Colour Cloud Group Co., Limited, Colour Cloud Group (HK) Co., Limited, Colour Pay Group Co., Limited, Colour Pay Group (HK) Co., Limited, Cai Hua Holdings Limited, Trade Dragon Holdings Limited, Tokyo Fantasia Investment Co., Ltd., Fantasia Investment (Singapore) Pte. Ltd., Tong Yuan Holdings Limited, Novel Era Holdings Limited, Treasure Isle Holdings Limited, Zhao Xing Holdings Limited, Colour Life Services Group Co., Limited, Ace Link Pacific Limited, Colour Life Services Group (HK) Co., Limited, Yahao Technology Development (Shenzhen) Company Limited, Shenzhen Colour Life Services Group Co., Limited, Fantasia (Novena) Pte. Ltd., Nanjing Mingcheng Property Management Company Limited, Shenzhen Xingyanhang Property Company Limited, Tieling Zhengnan Property Management Company Limited, Shenzhen Colour Life Property Management Company Limited, Huizhou Youlin Property Management Company Limited, Shenzhen Hui Gang Property Management Company Limited, Shenzhen Colour Life Network Services Company Limited, Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited, Shenzhen Ancaihua Energy Investment Company Limited, Shaanxi Liantang Property Services Company Limited, Qinhuangdao Hongtianyuan Property Company Limited, Shaanxi Colour Life Community Services Company Limited, Nanjing Huitao Property Management Services Company Limited, Shenzhen Huawanli Commercial Management Limited, Shenzhen Fantasia Commercial Management Company Limited, Shenzhen Fantasia Culture and Tourism Management Company Limited, Chengdu Fantasia Wangcong Culture Development Company Limited, Shenzhen Fantasia Health Endowment Management Company Limited, Shenzhen Futainian Investment Management Company Limited, Shenzhen Huawanli Hotel Management Company Limited, Shenzhen Fantasia Hotel Management Company Limited,

Chengdu Fantasia Quyuan Hotel Management Company Limited, Yixing Town on Water Hotel Management Company Limited, Pujiang Grande Valley Hotel Management Company Limited, Shenzhen Colour Life Community Technology Services Company Limited, Shenzhen Qianhai Colour Cloud Network Technology Company Limited, Colour Pay Treasure Holdings Group Co., Limited, Shenzhen Qianhai Colour Pay Network Technology Company Limited, An Chuang Group Limited (安創集團有限公司), Bliss Virtue Limited (德佑有限公司), Well Achieve Enterprises Limited (偉達企業有限公司), Immense Wealth Holdings Limited (廣鑫控股有限公司) (HK), Rosy Advance Holdings Limited (世鑫控股有限公司), Advance Era Holdings Limited (晉泰控股有限公司), Twinkle Electronic Company Limited (天歌電子有限公司), Shenzhen Anbo Electronic Company Limited, Shanghai Xinzhou Property Management Company Limited, Nanjing Jinjiang Property Management Company Limited, Wuxi Taihu Garden Property Management Company Limited, Shanghai Xinzhou Yipu Property Management Company Limited, Wuxi Mingzhu Horticulture Company Limited, Jurong Duocai Agriculture Ecological Park Development Company Limited, Shenzhen Qiertang Club Management Company Limited, Chengdu Fantasia Commercial Management Company Limited (成都花樣年商業管理有限公司), Fantasia Culture Tourism Management Group (USA) Corporation, GOWO Holdings Limited, Shenzhen Fantasia Dining Planning Management Company Limited (深圳市花樣年餐飲策劃管理有限公司), Shenzhen Fantasia Engineering Consulting Company Limited (深圳市花樣年工程建設諮詢有限公司), Shenzhen Fantasia Tourism Area Management Company Limited (深圳市花樣年旅遊景區管理有限公司), Chengdu Futainian Enterprise Management Company Limited (成都市福泰年企業管理有限公司), Nanjing Anju Property Management Company Limited (南京安居物業有限公司), Yichang Kunda Property Management Company Limited (宜昌坤達物業有限公司), Hangzhou Gaosheng Property Management Company Limited (杭州高盛物業有限公司), Heyuan Colour Life Property Management Company Limited (河源市彩生活物業管理有限公司), Shenzhen Caizhiyun Network Technology Company Limited (深圳市彩之雲網路科技有限公司), Nanchang Juan Property Management Company Limited (南昌居安物業有限公司), Henan Huajing Property Services Company Limited (河南華璟物業服務有限公司), Hubei Fenglin Property Management Company Limited (湖北楓林物業管理有限公司), Shanghai Yinshun Property Management Company Limited (上海銀順物業管理有限公司), Yinchuan Dushijia Property Management Company Limited (銀川都市佳物業管理有限公司), Ha'erbin Caiguanjia Property Management Company Limited (哈爾濱彩管家物業管理有限公司), Foshan Nanhai Julong Property Management Company Limited (佛山市南海鉅隆物業管理有限公司), Jiujiang Tianhong Property Services Company Limited (九江天宏物業服務有限公司), Jiangsu Chengzhi Property Services Company Limited (江蘇城置物業服務有限公司) and Steadlink Asset Management Pte Ltd.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but is otherwise not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from October 30, 2007.

Hong Kong

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. PRC income tax at the rate of 10% (or lower treaty rate, if any) is withheld from interest payable to investors that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a “non-resident enterprise” derived from sources within the PRC. As advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by non-resident holders of the Notes may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at the rate of 10% where the holder is an enterprise pursuant to the EIT Law, or subject to PRC individual income tax at the rate of 20% where the holder is an individual pursuant to PRC individual income tax laws. See “Risk Factors—We may be deemed a PRC resident under the EIT Law and be subject to PRC taxation on our worldwide income” and “Interest payable by us to our foreign investors and gain on sale of our Notes may be subject to withholding taxes under PRC tax laws.”

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

PLAN OF DISTRIBUTION

China Merchants Securities (HK) Co., Limited, CLSA Limited, Deutsche Bank AG, Singapore Branch, Merrill Lynch International and UBS AG, Hong Kong Branch are acting as joint bookrunners and joint lead managers of the offering and as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

<u>Initial Purchaser</u>	<u>Principal Amount of Notes</u>
China Merchants Securities (HK) Co., Limited	US\$22,000,000
CLSA Limited	US\$17,000,000
Deutsche Bank AG, Singapore Branch	US\$51,000,000
Merrill Lynch International	US\$60,000,000
UBS AG, Hong Kong Branch	US\$50,000,000
Total	<u>US\$200,000,000</u>

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes.

The Initial Purchaser propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice. We have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

The Initial Purchasers may offer and sell Notes through certain of their affiliates.

We have agreed that, for a period of 21 days from the date of this offering memorandum, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition by us or any affiliate of us or any person in privity with us or any affiliate of us, directly or indirectly, or announce the offering of, any other debt securities issued or guaranteed by us. The Initial Purchasers in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchasers of a greater number of Notes than they are required to purchase in the offering.

- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business day following the date of the pricing of the Notes. As trades in certain secondary markets generally settle in three business days, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+3, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wishes to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

Selling Restrictions

General

The Initial Purchasers or their respective affiliates have performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their businesses for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchasers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of ours or of our subsidiaries or affiliates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

No action has been taken or will be taken in any country or jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes, in any jurisdiction where action for any such purpose may be required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States and may only be offered or sold outside the United States in compliance with Regulation S under the U.S. Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act.

United Kingdom

The Initial Purchasers have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by them in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of such Act does not apply to Initial Purchasers and the Initial Purchasers have complied and will comply with all applicable provisions of such Act with respect to anything done by them in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes will not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (ii) in other circumstances which do not result in any such document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor (as defined in Section 4A of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

PRC

This offering memorandum does not constitute a public offer of the Notes, whether by sale or by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document.

Cayman Islands

No Notes will be offered or sold to the public in the Cayman Islands.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Notes have not been registered under the U.S. Securities Act or any other applicable securities laws;
 - the Notes are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and
 - the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.
2. You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act.
5. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

6. You also acknowledge that this offering memorandum has not been registered as a prospectus with the MAS. Accordingly, you have represented, warranted and agreed that you have not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will you circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

RATINGS

The Notes are expected to be rated B by Standard and Poor's Rating Services and B3 by Moody's Investors Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's Rating Services and a corporate family rating of B2 with a stable outlook by Moody's Investors Service. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and Conyers Dill & Pearman as to matters of British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and King & Wood Mallesons as to matters of PRC law.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of and for the three years ended December 31, 2012, 2013 and 2014 included in this offering memorandum have been audited by Deloitte Touche Tohmatsu, certified public accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated May 27, 2015.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2014 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying and transfer agents.

For so long as any of the Notes 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" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying and transfer agents.

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Securities is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
The Notes	XS1237349391	123734939

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream, and only such Notes may trade on the SGX-ST.

Listing of the Notes

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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Notes:

- (1) *The audited consolidated financial statements set out herein has been reproduced from the Company’s annual report for the year ended December 31, 2014 and page references are to pages set forth in such report.*
- (2) *The audited consolidated financial statements set out herein have been reproduced from the Company’s annual report for the year ended December 31, 2013 and page references are to pages set forth in such report.*

Deloitte.

德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 94 to 211, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal controls as the directors determine are necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

2 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	7,305,950	7,279,828
Cost of sales and services		(4,499,138)	(4,486,269)
Gross profit		2,806,812	2,793,559
Other income, gains and losses	8	(13,301)	385,511
Change in fair value of investment properties	16	575,840	167,319
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	29	95,665	10,177
Selling and distribution expenses		(269,719)	(315,184)
Administrative expenses		(585,730)	(487,390)
Finance costs	9	(290,948)	(260,294)
Share of results of associates		56	675
Share of results of joint ventures		(12,663)	(6,714)
Gain on disposal of subsidiaries	44(a)	223,707	116,644
Profit before tax	10	2,529,719	2,404,303
Income tax expense	11	(1,157,408)	(1,174,112)
Profit for the year		1,372,311	1,230,191
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of properties		9,942	3,960
Deferred taxation liability arising from revaluation of properties		(2,485)	(990)
Other comprehensive income for the year, net of income tax		7,457	2,970
Total comprehensive income for the year		1,379,768	1,233,161
Profit for the year attributable to:			
Owners of the Company		1,255,341	1,215,038
An owner of perpetual capital instrument		42,525	–
Other non-controlling interests		74,445	15,153
		1,372,311	1,230,191
Total comprehensive income attributable to:			
Owners of the Company		1,259,815	1,218,008
An owner of perpetual capital instrument		42,525	–
Other non-controlling interest		77,428	15,153
		1,379,768	1,233,161
Earnings per share – Basic (RMB)	14	0.22	0.23
Earnings per share – Diluted (RMB)	14	0.22	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,541,882	905,241
Investment properties	16	6,642,075	4,012,828
Interests in associates	17	1,753	1,566
Interests in joint ventures	18	609,981	71,084
Available-for-sale investment	19	38,910	38,910
Goodwill	20	133,918	79,267
Intangible assets	21	26,850	907
Prepaid lease payments	22	884,550	1,233,811
Premium on prepaid lease payments	23	175,847	390,032
Land development expenditure	24	667,965	666,131
Other receivables	30	376,841	376,841
Deposits paid for acquisition of subsidiaries	25	262,550	150,000
Deposit paid for acquisition of a property project	26	136,648	132,346
Deposits paid for acquisition of land use rights	27	1,005,685	435,423
Deferred tax assets	28	498,714	393,454
		13,004,169	8,887,841
CURRENT ASSETS			
Properties for sale	29	19,442,516	14,191,479
Prepaid lease payments	22	34,274	30,828
Premium on prepaid lease payments	23	3,678	10,853
Trade and other receivables	30	3,873,362	3,583,659
Amounts due from customers for contract works	31	59,460	41,059
Tax recoverable		34,130	46,114
Amount due from a joint venture	32	149,855	139,190
Restricted/pledged bank deposits	33	914,596	855,564
Bank balances and cash	33	3,738,040	2,776,879
		28,249,911	21,675,625
CURRENT LIABILITIES			
Trade and other payables	34	5,516,143	2,453,629
Deposits received for sale of properties		3,386,888	4,678,224
Amounts due to customers for contract works	31	8,195	54,318
Amount due to a related party	35	–	506
Amount due to a non-controlling shareholder	43(a)	419,960	–
Amounts due to joint ventures	36	996,467	–
Tax liabilities	37	3,016,193	2,784,573
Borrowings – due within one year	38	4,122,925	2,053,357
Obligations under finance leases	39	20,826	26,003
Senior notes		746,051	–
		18,233,648	12,050,610
NET CURRENT ASSETS		10,016,263	9,625,015
TOTAL ASSETS LESS CURRENT LIABILITIES		23,020,432	18,512,856

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Amount due to a non-controlling shareholder	43(a)(i)	686,667	–
Deferred tax liabilities	28	1,096,155	719,916
Borrowings – due after one year	37	3,651,475	4,942,036
Obligations under finance leases	38	119,749	140,418
Senior notes	39	6,022,081	4,843,390
Provision	43(a)	31,931	29,591
Redeemable shares	40	–	6,177
		11,608,058	10,681,528
		11,412,374	7,831,328
CAPITAL AND RESERVES			
Share capital	41	497,485	429,575
Reserves		8,955,574	6,890,876
Equity attributable to owners of the Company		9,453,059	7,320,451
Perpetual capital instrument	42	710,500	–
Other non-controlling interests		1,248,815	510,877
Total non-controlling interests		1,959,315	510,877
		11,412,374	7,831,328

The consolidated financial statements on pages 94 to 211 were approved and authorised for issue by the Board of Directors on 2 March 2015 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										Attributable to non-controlling interests			Total RMB'000	
	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Share options reserve RMB'000 (Note iii)	Contribution reserve RMB'000 (Note viii)	Statutory reserves RMB'000 (Note iv)	Discretionary reserves RMB'000 (Note ix)	Property revaluation reserve RMB'000 (Note v)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share option reserve of Colour Life RMB'000	Non-controlling interests RMB'000		Sub-total RMB'000
At 1 January 2013	457,093	2,451,225	(64,168)	7,420	40,600	40,539	1,477	30,913	3,636,031	6,601,130	-	-	320,036	320,036	6,921,166
Profit for the year	-	-	-	-	-	-	-	-	1,215,038	1,215,038	-	-	15,153	15,153	1,230,191
Surplus on revaluation of properties	-	-	-	-	-	-	-	3,960	-	3,960	-	-	-	-	3,960
Deferred taxation liability arising from revaluation of properties	-	-	-	-	-	-	-	(990)	-	(990)	-	-	-	-	(990)
Other comprehensive income for the year	-	-	-	-	-	-	-	2,970	-	2,970	-	-	-	-	2,970
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	2,970	1,215,038	1,218,008	-	-	15,153	15,153	1,233,161
Acquisition of subsidiaries (note 43)	-	-	-	-	-	-	-	-	-	-	-	-	52,430	52,430	52,430
Deemed disposal of partial interest in subsidiaries without loss of control (note 44(c))	-	-	99,143	-	-	-	-	-	-	99,143	-	-	131,421	131,421	230,564
Contributions from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	6,000	6,000	6,000
Dividend distributed to shareholders of the Company (note 13)	-	(228,576)	-	-	-	-	-	-	-	(228,576)	-	-	-	-	(228,576)
Recognition of equity-settled share-based payments (note 47)	-	-	-	8,756	-	-	-	-	-	8,756	-	-	-	-	8,756
Shares repurchased and cancelled	(27,518)	(346,338)	-	-	-	-	-	-	-	(373,856)	-	-	-	-	(373,856)
Acquisition of additional interests in subsidiaries from non-controlling shareholders	-	-	(4,154)	-	-	-	-	-	-	(4,154)	-	-	(14,438)	(14,438)	(18,592)
Disposal of a subsidiary (note 44(a))	-	-	-	-	-	-	-	-	-	-	-	-	275	275	275
Transfer	-	-	-	-	-	3,198	-	-	(3,198)	-	-	-	-	-	-
At 31 December 2013	429,575	1,876,311	30,821	16,176	40,600	43,737	1,477	33,883	4,847,871	7,320,451	-	-	510,877	510,877	7,831,328
Profit for the year	-	-	-	-	-	-	-	-	1,255,341	1,255,341	42,525	-	74,445	116,970	1,372,311
Surplus on revaluation of properties	-	-	-	-	-	-	-	5,965	-	5,965	-	-	3,977	3,977	9,942
Deferred taxation liability arising from revaluation of properties	-	-	-	-	-	-	-	(1,491)	-	(1,491)	-	-	(994)	(994)	(2,485)
Other comprehensive income for the year	-	-	-	-	-	-	-	4,474	-	4,474	-	-	2,983	2,983	7,457

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										Attributable to non-controlling interests				Total
	Share capital	Share premium	Special reserve	Share options reserve	Contribution reserve	Statutory reserves	Discretionary reserves	Property revaluation reserve	Accumulated profits	Sub-total	Perpetual capital instrument	Share option reserve of Colour Life	Non-controlling interests	Sub-total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note i)	(Note ii)	(Note iii)	(Note viii)	(Note iv)	(Note ix)	(Note v)							
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	4,474	1,255,341	1,259,815	42,525	-	77,428	119,953	1,379,768
Acquisition of subsidiaries (note 43(a))	-	-	-	-	-	-	-	-	-	-	-	-	45,983	45,983	45,983
Issue of share as consideration of acquisition of subsidiary	67,900	871,625	-	-	-	-	-	-	-	939,525	-	-	-	-	939,525
Issue of share upon exercise of share option	10	101	-	(30)	-	-	-	-	-	81	-	-	-	-	81
Dilution of interests in subsidiaries (note vi)	-	-	314,811	-	-	-	-	-	-	314,811	-	-	395,403	395,403	710,214
Contributions from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	2,108	2,108	2,108
Dividend distributed to shareholders of the Company (note 13)	-	(306,054)	-	-	-	-	-	-	-	(306,054)	-	-	-	-	(306,054)
Recognition of equity-settled share-based payments (note 47)	-	-	-	3,353	-	-	-	-	-	3,353	-	29,780	-	29,780	33,133
Acquisition of additional interests in subsidiaries from non-controlling shareholders (note vii)	-	-	(115,802)	-	-	-	-	-	-	(115,802)	-	-	(124,053)	(124,053)	(239,855)
Disposal of a subsidiary (note 44(a))	-	-	-	-	-	-	-	-	-	-	-	-	(57,904)	(57,904)	(57,904)
Deemed disposal partial interest without loss of control (note 44(c))	-	-	36,879	-	-	-	-	-	-	36,879	-	-	362,361	362,361	399,240
Issue of perpetual capital instrument	-	-	-	-	-	-	-	-	-	-	700,000	-	-	700,000	700,000
Distribution to owners of perpetual capital instrument	-	-	-	-	-	-	-	-	-	-	(32,025)	-	-	(32,025)	(32,025)
Capitalisation of redeemable shares (note 40)	-	-	-	-	-	-	-	-	-	-	-	-	6,832	6,832	6,832
Transfer	-	-	-	-	-	1,106	-	(1,106)	-	-	-	-	-	-	-
At 31 December 2014	497,485	2,441,983	266,709	19,499	40,600	44,843	1,477	38,357	6,102,106	9,453,059	710,500	29,780	1,219,035	1,959,315	11,412,374

Notes:

- (i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out final dividend from share premium account.
- (ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represents the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.
- (iii) Share options reserve represents the share-based payment under the Company's share option scheme.
- (iv) The statutory reserves and discretionary reserves relate to subsidiaries in the People's Republic of China (the "PRC") and are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.
- (v) Property revaluation surplus arose from the transfer of owner-occupied property to investment properties at the date of change in use.
- (vi) Colour Life Service Group Co., Limited ("Colour Life"), a 67.19% owned subsidiary of the Group as at 31 December 2013, has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 30 June 2014. On the same date, 250,000,000 ordinary shares with a par value of HK\$0.01 each of Colour Life were issued by way of public offering and placing ("Share Offer"), the net proceeds received by Colour Life, after deducting the expenses relating to the Share Offer, is RMB710,214,000. The Group's percentage of equity interest in Colour Life was then diluted from 67.19% to 50.39% upon completion of the Share Offer. The difference of RMB314,811,000 between the share of net assets of Colour Life amounted to RMB395,403,000 and the net proceeds were recognised in special reserve.
- (vii) During the year ended 31 December 2014, the Group acquired additional interests in subsidiaries from the non-controlling shareholders. The difference between the consideration paid of RMB239,813,000 and proportionate share of the subsidiary's net assets of RMB124,053,000 by the Group was charged to the special reserve of RMB115,802,000.
- (viii) Contribution reserve represents (1) the contribution/distribution to shareholders during the group reorganisation in 2009; (2) the difference between the consideration paid and the fair value of net assets acquired from related parties; (3) the difference between the consideration received and the carrying amount of net assets disposed of to related parties during the group reorganisation in 2009; and (4) the waiver of shareholder loans in 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before tax	2,529,719	2,404,303
Adjustments for:		
Change in fair value of investment properties	(575,840)	(167,319)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	(95,665)	(10,177)
Release of prepaid lease payments	24,588	18,544
Release of premium on prepaid lease payments	22,910	15,342
Amortisation of intangible assets	3,505	906
Depreciation of property, plant and equipment	91,095	64,521
Investment income	–	(246,161)
Gain on disposal of property, plant and equipment	(321)	(39)
Gain on disposal of subsidiaries	(223,707)	(116,644)
Allowance (reversal) on bad and doubtful debts, net	39,653	(4,117)
Interest income	(23,351)	(7,007)
Finance costs	290,948	260,294
Net foreign exchange loss (gain)	50,514	(91,838)
Share of results of associates	(56)	(675)
Share of results of joint ventures	12,663	6,714
Share-based payment expenses	33,133	8,756
Operating cash flows before movements in working capital	2,179,788	2,135,403
Addition to prepaid lease payments	(275,995)	(762,995)
(Increase) decrease in land development expenditure	(1,834)	156,249
Increase in properties for sale	(2,422,000)	(567,599)
Increase in deposits paid for acquisition of land use rights	(260,544)	(277,300)
Increase in trade and other receivables	(145,613)	(874,704)
(Increase) decrease in amounts due from customers for contract works	(18,401)	11,423
(Decrease) increase in amounts due to customers for contract works	(46,123)	52,027
Decrease in trade and other payables	2,237,813	149,402
(Decrease) increase in deposits received for sale of properties	(1,198,314)	492,120
Cash generated from operations	48,777	514,026
Income tax paid	(766,398)	(634,141)
Interest paid	(1,025,521)	(816,234)
NET CASH FROM OPERATING ACTIVITIES	(1,743,142)	(936,349)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Deposits paid for acquisition of a property project		(4,302)	(6,342)
Increase in restricted bank deposits		(81,739)	(147,950)
Disposal of structured deposits		–	42,200
Settlement of consideration payables of acquisition of assets and liabilities through acquisitions of subsidiaries and acquisition of businesses		(19,462)	(257,030)
Settlement of consideration receivables of disposal of subsidiaries		205,369	–
Purchases of property, plant and equipment		(569,531)	(113,387)
Additions to investment properties		(652,727)	(100,975)
Acquisitions of assets and liabilities through acquisitions of subsidiaries (net of cash and cash equivalents acquired)	43(a)	(189,846)	(1,778,391)
Acquisition of businesses (net of cash and cash equivalents acquired)	43(b)	(39,788)	(183,223)
Capital injection to an associate		(490)	–
Proceeds received upon derecognition of a joint venture		19,449	–
Interest received		23,351	7,007
Dividend received from an associate		359	280
Proceeds from disposal of property, plant and equipment		14,998	3,646
Disposal of subsidiaries	44(a)	–	195,122
Disposal of partial interests of subsidiaries	44(b)	(28,128)	–
Disposal of partial interests of subsidiaries resulting in loss of control	44(b)	–	–
Deposits paid for acquisition of subsidiaries		(212,550)	(148,790)
Proceeds from disposal of investment properties		12,214	85,826
Capital injection to a joint venture		–	(58,078)
Acquisition of investments in joint ventures		(361,731)	–
Advance to a joint venture		(10,665)	(139,190)
Repayment from a joint venture		10,020	–
NET CASH USED IN INVESTING ACTIVITIES		(1,830,746)	(2,599,275)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes	39	1,801,274	2,508,503
Net proceeds from Share Offer of Colour Life		710,214	–
Net proceeds from issuance of perpetual capital instrument		700,000	–
Contribution from non-controlling shareholders		2,108	6,000
New borrowings raised		7,856,159	5,345,377
Repayment of borrowings		(6,856,676)	(3,867,220)
Distribution to owners of perpetual capital instrument		(32,025)	–
Dividend paid to shareholders of the Company		(306,054)	(228,576)
Repayment to a related party		(506)	(1,067)
Acquisition of additional interest in subsidiaries		(239,855)	(18,592)
Shares repurchased		–	(373,856)
Repayment of obligations under finance leases		(32,120)	(58,324)
Proceeds from dilution of interest in a subsidiary that does not result in losing of control	43(b)	–	193,500
Deemed disposal of partial interest in a subsidiary	44(c)	36,990	43,241
Issue of share upon exercise of share option		81	–
Advance from joint ventures		897,209	–
NET CASH FROM FINANCING ACTIVITIES		4,536,799	3,548,986
NET INCREASE IN CASH AND CASH EQUIVALENTS		962,911	13,362
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,776,879	2,788,106
Effect of foreign exchange rate changes		(1,750)	(24,589)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		3,738,040	2,776,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. General

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the “BVI”). Its ultimate controlling party is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The addresses of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands, corporate head office in Hong Kong is Room 1202-03, New World Tower 1, 16-18 Queen’s Road Central, Hong Kong, and corporate headquarter in People’s Republic of China is Block A, Funian Plaza, Shihua Road and Zijing Road Interchange in Futian Dutyfree Zone, Shenzhen 518048, Guangdong Province, China.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities
Amendments to HKFRS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKFRS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 “Investment Entities”

The Group has applied the amendments to HKFRS10, HKFRS 12 and HKAS27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investments entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

As the company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impacts on the disclosures or the amounts recognised in the Group’s consolidated financial statements.

Amendments to HKAS 36 “Recoverable Amount Disclosure for Non-Financial Assets”

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 “Fair Value Measurements”.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵
Amendments to HKFRSs	Annual Improvements to HFRSs 2010–2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HFRSs 2011–2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HFRSs 2012–2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exception

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 15 “Revenue from contracts with Customer”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvement to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce special guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 “Disclosure – Offsetting Financial Assets and Financial Liabilities” issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in earnings at the beginning of that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Annual Improvements to HKFRSs 2012–2014 Cycle (continued)

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group’s consolidated financial statements.

Except for the above impact, the Directors of the Company do not anticipate that the application of other new and revised HKFRSs will not have significant impact on the Group’s consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The SEHK and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*" respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 “*Provisions, Contingent Liabilities and Contingent Assets*”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group’s policy for the goodwill arising on the acquisition of an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. The associate and joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, and investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "*Impairment of Assets*" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Agency fee, service income, management fee, parking fee and consultation fee

Agency fee, service income, management fee, parking fee and consultation fee are recognised when services are provided.

The Group's policy for recognition of revenue from construction services is described in the accounting policy for construct in contracts below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Hotel operation

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or construction is completed.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Land development expenditure

Land development expenditure is stated at the lower of cost and net realisable value. The cost includes expenditure directly attributable to the development of relevant projects such as road construction, demolition, resettlement work and borrowing cost.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Properties for sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Cost of each unit in each phase of development is determined using the weighted average method.

Net realisable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale (“AFS”) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits paid for acquisition of land use rights, subsidiaries and a property project, other receivables (non-current), trade and other receivables, amount due from a joint venture, restricted/pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a related party and a shareholder, amounts due to joint ventures, obligations under finance leases, redeemable shares and borrowings) are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 “*Provision, Contingent Liabilities and Contingent Assets*”; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessee (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale or for use in the production or supply of goods or services, and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of development of projects for sale whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies (continued)

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

Share-based payment transactions

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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For the year ended 31 December 2014

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of approximately RMB19,442,516,000 (2013: RMB14,191,479,000). Cost, including the cost of land, development expenditure, borrowing costs capitalized in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on saleable gross floor area, using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

Land appreciation tax ("LAT")

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable the disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivable is RMB1,034,555,000 (2013: carrying amount of RMB661,721,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill net of accumulated impairment loss was approximately RMB133,918,000 (2013: carrying amount of RMB79,267,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of intangible assets net of accumulated impairment loss was approximately RMB26,850,000 (2013: carrying amount of RMB907,000).

Fair value measurements and valuation processes

The investment properties of the Group are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to joint ventures as disclosed in note 36, amount due to a non-controlling shareholder as disclosed in note 43(a), amount due to a related party as disclosed in note 35, borrowings as disclosed in note 37, obligations under finance leases disclosed in note 38, senior notes as disclosed in note 39, redeemable shares as disclosed in note 40, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of bank and other borrowings to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital, the Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	7,725,618	5,952,755
AFS financial assets	38,910	38,910
Financial liabilities		
Amortised cost	21,810,703	14,276,722

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits paid for acquisition of land use rights, subsidiaries and a property project, trade and other receivables, finance lease receivables, amount due from a joint venture, restricted bank deposits, bank balances and cash, trade and other payables, amount due to a related party and shareholder, obligations under finance leases, redeemable shares, borrowings and senior notes. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(i) Currency risk

The Group has bank balances, borrowings, redeemable shares, obligations under finance leases and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	2014 RMB'000	2013 RMB'000
Assets		
United States Dollars ("USD")	60,413	57,407
Hong Kong Dollars ("HKD")	318,722	307,011
Taiwan Dollars ("TWD")	–	2,255
Japanese Yen ("JPY")	3,366	25,795
Singapore Dollars ("SGD")	243	17,734
Liabilities		
USD	6,904,709	4,651,224
HKD	85,251	108,500
JPY	42,413	40,551

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD, TWD, SGD, JPY and HKD against RMB.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in the RMB against the relevant foreign currencies. 5% (2013: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2013: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, borrowings, redeemable shares, obligations under finance leases and senior notes. A positive number indicates an increase in profit for the year where the RMB strengthens 5% (2013: 5%) against the relevant currencies. For a 5% (2013: 5%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(i) *Currency risk* (continued) *Foreign currency sensitivity analysis*

	2014 RMB'000	2013 RMB'000
USD		
Increase in profit for the year	342,215	229,691
HKD		
Decrease in profit for the year	(11,674)	(9,926)
TWD		
Decrease in profit for the year	–	(113)
JPY		
Increase in profit for the year	1,952	738
SGD		
Decrease in profit for the year	(12)	(887)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate borrowings, obligations under finance leases, redeemable shares and senior notes. The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the London Interbank Offer Rate ("LIBOR") arising from the Group's USD borrowings, the Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's HKD borrowings and Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate") from the Group's RMB borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(ii) *Interest rate risk* (continued)

Interest rate risk sensitivity analysis

Bank balances and restricted bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted bank deposits at the end of the reporting period. A 25 basis points (2013: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2013: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would increase/decrease by approximately RMB8,724,000 (2013: increase/decrease of approximately RMB6,838,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2013: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by approximately RMB20,421,000 (2013: decrease/increase of approximately RMB19,923,000), net of interest that would be capitalised in accordance with the Group's accounting policy.

(iii) *Credit risk*

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 49(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the 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 has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

As at 31 December 2014, the Group has concentration of credit risk on the deposits paid for acquisition of a property project, land use rights and subsidiaries and amount due from a joint venture. These balances are paid to counterparties which are all engaged in PRC property development business and property operation service, and are either state-owned entities or companies with high credit rating, the directors of the Company consider that the credit risk is limited.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings, amount due to a related party, obligations under finance leases, redeemable shares and senior notes as a significant source of liquidity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2014								
Trade and other payables	-	1,537,773	1,208,257	981,732	1,296,740	-	5,024,502	5,024,502
Amount due to a non-controlling shareholder	-	419,960	-	-	686,667	-	1,106,627	1,106,627
Amounts due to joint ventures	-	996,467	-	-	-	-	996,467	996,467
Borrowings								
- fixed rate	9.50	704,450	907,858	290,483	295,944	339,174	2,537,909	2,328,927
- variable rate	7.48	763,320	227,754	1,709,395	3,203,810	330,574	6,234,853	5,445,473
Obligations under finance leases	4.16	730	5,423	20,082	96,284	37,771	160,290	140,575
Senior notes	12.05	82,224	105,170	2,082,441	7,603,460	82,224	9,955,519	6,768,132
Financial guarantee contracts	-	4,778,135	-	-	-	-	4,778,135	-
		9,283,059	2,454,462	5,084,133	13,182,905	789,743	30,794,302	21,810,703
At 31 December 2013								
Trade and other payables	-	601,625	349,257	1,253,553	60,400	-	2,264,835	2,264,835
Amounts due to related parties	-	506	-	-	-	-	506	506
Borrowings								
- fixed rate	9.27	62,800	25,226	120,590	1,719,704	67,282	1,995,602	1,682,552
- variable rate	6.76	184,012	549,799	1,188,563	3,685,254	527,398	6,135,026	5,312,841
Obligations under finance leases	4.16	765	6,065	25,765	100,932	61,368	194,895	166,421
Redeemable shares	12.00	-	-	-	7,748	-	7,748	6,177
Senior notes	12.37	82,133	105,053	368,621	4,718,364	1,774,448	7,048,619	4,843,390
Financial guarantee contracts	-	3,162,990	-	-	-	-	3,162,990	-
		4,094,831	1,035,400	2,957,092	10,292,402	2,430,496	20,810,221	14,276,722

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2014, there is no aggregate undiscounted principal amounts of these bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- The fair value of financial guarantee contracts at initial recognition is determined to be insignificant, using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default; and
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value determined based on the discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Except for the following financial liabilities, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

	Fair value hierarchy	2014	2014	2013	2013
		Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Senior notes	Level 1	6,768,132	6,333,896	4,843,390	5,222,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. Revenue and Segment Information

An analysis of the Group's revenue for the year is as follows:

	2014 RMB'000	2013 RMB'000
Sales of properties	6,535,319	6,733,340
Rental income	136,462	128,673
Agency fee from provision of property agency services	18,653	12,683
Management fee and installation services fee from provision of property operation services	504,243	314,764
Hotel operations	111,273	90,368
	7,305,950	7,279,828

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the operating and reportable segments of the Group.

The Group has five reportable and operating segments as follows:

Property development	–	developing and selling of commercial and residential properties in the PRC
Property investment	–	leasing of commercial and residential properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation of security systems and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sale and other ancillary services

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, exchange gain/loss, share of results of associates and joint ventures, gain on disposal of subsidiaries, finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, available-for-sale investments, amount due from a joint venture, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. Revenue and Segment Information (continued)

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For 31 December 2014

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Total RMB'000
External revenues	6,535,319	136,462	18,653	504,243	111,273	7,305,950
Inter-segment revenues	147,775	–	–	90,238	–	238,013
Segment results	1,854,053	637,038	17,234	299,063	5,323	2,812,711
Segment assets	26,161,619	6,875,227	11,731	1,203,359	955,256	35,207,192

Amounts included in the measure of
segment profit or loss or segment assets:

Additions to non-current assets (note)	73,249	2,139,128	689	10,594	623,839	2,847,499
Change in fair value of investment properties	–	575,840	–	–	–	575,840
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	95,665	–	–	–	–	95,665
Release of prepaid lease payments	20,341	–	–	1,967	1,937	24,245
Release of premium on prepaid lease payments	22,910	–	–	–	–	22,910
Amortisation of intangible assets	–	–	–	3,505	–	3,505
Depreciation of property, plant and equipment	21,496	6,475	–	8,639	54,046	90,656
Gain on disposal of property, plant and equipment	321	–	–	–	–	321
Reversal of allowance on bad and doubtful debts, net	28,599	–	–	11,054	–	39,653

Inter-segment revenues are charged at prevailing market rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. Revenue and Segment Information (continued)

Segment revenues, results, assets and other material items for 31 December 2013:

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Total RMB'000
External revenues	6,733,340	128,673	12,683	314,764	90,368	7,279,828
Inter-segment revenues	104,383	–	1,157	404,902	–	510,442
Segment results	2,294,476	170,405	11,106	129,765	1,010	2,606,762
Segment assets	20,300,865	4,334,570	3,912	937,689	570,952	26,147,988
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	13,781	111,149	1,493	322,125	46,884	495,432
Change in fair value of investment properties	–	167,319	–	–	–	167,319
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	10,177	–	–	–	–	10,177
Release of prepaid lease payments	14,917	–	–	1,767	1,577	18,261
Release of premium on prepaid lease payments	15,342	–	–	–	–	15,342
Investment income	246,161	–	–	–	–	246,161
Amortisation of intangible assets	–	–	–	906	–	906
Depreciation of property, plant and equipment	15,427	5,239	–	15,453	28,119	64,238
Gain on disposal of property, plant and equipment	39	–	–	–	–	39
Reversal of allowance on bad and doubtful debts, net	4,117	–	–	–	–	4,117

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets comprise mainly additions to goodwill, property, plant and equipment and investment properties and exclude interests in associates and joint ventures, deposits paid for acquisition of land use rights, acquisition of subsidiaries and acquisition of a property project and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. Revenue and Segment Information (continued)

Reconciliation:

	2014 RMB'000	2013 RMB'000
Revenue:		
Total revenue for operating and reportable segments	7,543,963	7,790,270
Elimination of inter-segment revenues	(238,013)	(510,442)
Group's total revenue	7,305,950	7,279,828
Total segment results		
Elimination of inter-segment results	(68,860)	(56,730)
Unallocated amounts:		
Unallocated income, gains and losses	(27,163)	98,847
Unallocated corporate expenses	(107,121)	(94,887)
Finance costs	(290,948)	(260,294)
Gain on disposal of subsidiaries	223,707	116,644
Share of results of associates	56	675
Share of results of joint ventures	(12,663)	(6,714)
Profit before tax	2,529,719	2,404,303

	2014 RMB'000	2013 RMB'000
Assets:		
Total assets for operating and reportable segments	35,207,192	26,147,988
Unallocated assets:		
Interests in associates	1,753	1,566
Interests in joint ventures	609,981	71,084
Available-for-sale investment	38,910	38,910
Restricted/pledged bank deposits	914,596	855,564
Amount due from a joint venture	149,855	139,190
Bank balances and cash	3,738,040	2,776,879
Corporate assets	593,753	532,285
Group's total assets	41,254,080	30,563,466

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC.

During the years ended 31 December 2014 and 2013, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. Revenue and Segment Information (continued)

	2014 RMB'000	2013 RMB'000
Other material items:		
<i>Release of prepaid lease payments</i>		
Reportable segment totals	24,245	18,261
Unallocated amount	343	283
	24,588	18,544
<i>Release of premium on prepaid lease payments</i>		
Reportable segment and Group's totals	22,910	15,342
<i>Depreciation of property, plant and equipment</i>		
Reportable segment totals	90,656	64,238
Unallocated amount	439	283
Group's total	91,095	64,521
<i>Additions to non-current assets</i>		
Reportable segment totals	2,847,499	495,432
Unallocated amount	8,864	5,649
Group's total	2,856,363	501,081
<i>Gain on disposal of property, plant and equipment</i>		
Reportable segment and Group's totals	321	39
<i>Allowance (reversal) on bad and doubtful debt, net</i>		
Reportable segment and Group's totals	39,653	(4,117)

8. Other Income, Gains and Losses

	2014 RMB'000	2013 RMB'000
Investment income (note i)	–	246,161
Interest income	23,351	7,007
Government grants (note ii)	571	29,335
Net exchange (loss) gain	(50,514)	91,838
Others	13,291	11,170
	(13,301)	385,511

Notes:

- (i) The amount represented the return or receivables from the People's Government of Pixian County ("Pixian Government") (see note 30(ii)).
- (ii) The amount represents the grants received from the relevant PRC local governments to encourage the development of real estate industry. The subsidies are unconditional and granted on a discretionary basis to the Group during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. Finance Costs

	2014 RMB'000	2013 RMB'000
Interest on:		
– borrowings wholly repayable within five years	308,626	315,091
– borrowings not wholly repayable within five years	60,870	66,988
– senior notes	768,529	542,664
– finance leases	8,759	1,045
– redeemable shares	655	–
– amount due to a non-controlling shareholder	141,099	–
	1,288,538	925,788
Less: Amount capitalised in properties under development for sale	(953,941)	(658,372)
Amount capitalised in investment properties under development	(4,123)	(7,122)
Amount capitalised in construction in progress	(39,526)	–
	290,948	260,294

In 2014, certain amount of finance costs capitalised arose on the general borrowing pool and were calculated by applying the capitalisation rate of 11.76% per annum (2013: 13.24% per annum) to expenditures on qualifying assets.

10. Profit Before Tax

	2014 RMB'000	2013 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	20,278	14,784
Other staff's salaries and allowances	346,739	264,165
Retirement benefit scheme contributions	62,003	47,884
Share-based payments	768	6,555
Total staff costs	429,788	333,388
Less: Amount capitalised in properties under development for sale	(167,094)	(92,920)
	262,694	240,468
Auditor's remuneration	5,853	4,868
Release of prepaid lease payments	24,588	18,544
Release of premium on prepaid lease payments	22,910	15,342
Depreciation of property, plant and equipment	91,095	64,521
Amortisation of intangible assets	3,505	906
Gain on disposal of property, plant and equipment	(321)	(39)
(Reversal of) allowance on bad and doubtful debts, net	39,653	(4,117)
Listing expense of a non-wholly own subsidiary of the Company	16,282	22,854
Cost of properties sold recognised as an expense	4,091,116	4,233,681
Contract cost recognised as an expense	24,878	22,321
Rental expenses in respect of rented premises under operating leases	13,893	9,128
Gross rental income from investment properties	(136,462)	(128,673)
Less: direct operating expenses from investment properties that generated rental income	9,784	6,664
	(126,678)	(122,009)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. Income Tax Expense

	2014 RMB'000	2013 RMB'000
Current tax:		
PRC taxes		
Enterprise Income Tax ("EIT")	538,665	634,865
Land Appreciation Tax ("LAT")	382,487	576,870
	921,152	1,211,735
Deferred tax		
Current year	236,256	(37,623)
	1,157,408	1,174,112

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's PRC enterprise income tax ("EIT") is calculated based on the applicable tax rate on assessable profits, if applicable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. Income Tax Expense (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Notes	2014 RMB'000	2013 RMB'000
Profit before tax		2,529,719	2,404,303
Tax at PRC EIT rate of 25%	(i)	632,430	601,076
Tax effect of share of results of associates		(14)	(169)
Tax effect of share of results of joint ventures		3,166	1,679
Tax effect of income not taxable for tax purpose		(143)	(1,323)
Tax effect of expenses not deductible for tax purpose	(ii)	90,602	68,814
Tax effect of tax losses not recognised		144,938	71,319
Utilisation of tax losses previously not recognised		(17,672)	(10,132)
LAT		382,487	576,870
Tax effect of LAT		(95,622)	(144,218)
Tax effect of different tax rates of subsidiaries		(3,789)	(6,509)
Others	(iii)	21,025	16,705
Income tax expense for the year		1,157,408	1,174,112

Notes:

- (i) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable enterprise income tax rate of those subsidiaries is 25%.
- (ii) The amounts for the years ended 31 December 2014 and 2013 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on senior notes and professional fees.
- (iii) The amounts for the years ended 31 December 2014 and 2013 mainly represent the deferred tax of LAT payable on change in fair value of the Group's investment properties in the PRC upon sales of those investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. Directors', Chief Executive's and Employees' Remunerations

The emoluments paid or payable to the directors and the chief executive were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note v)	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended						
31 December 2014						
<i>Executive directors:</i>						
Pan Jun (潘軍) (note i)	–	2,442	–	54	746	3,242
Zeng Jie (曾寶寶)	–	2,506	–	53	746	3,305
Lam Kam Tong (林錦堂)	–	1,733	2,060	–	229	4,022
Zhou Jinqun (周錦泉)	–	1,644	2,028	54	–	3,726
Wang Liang (王亮) (note ii)	–	1,718	1,936	54	384	4,092
<i>Non-executive directors:</i>						
Li Dongsheng (李東生) (note ii)	240	–	–	–	–	240
Yuan Haodong (袁浩東) (note ii)	240	–	–	–	–	240
<i>Independent non-executive directors:</i>						
He Min (何敏)	240	–	–	–	120	360
Huang Ming (黃明)	240	–	–	–	120	360
Liao Changjiang (廖長江) (note iii)	211	–	–	–	120	331
Xu Quan (許權)	240	–	–	–	120	360
	1,411	10,043	6,024	215	2,585	20,278
For the year ended						
31 December 2013						
<i>Executive directors:</i>						
Pan Jun (潘軍) (note i)	–	2,497	787	44	746	4,074
Zeng Jie (曾寶寶)	–	2,497	787	44	746	4,074
Lam Kam Tong (林錦堂)	–	1,920	963	15	229	3,127
Zhou Jinqun (周錦泉) (note iv)	–	1,247	783	39	–	2,069
<i>Independent non-executive directors:</i>						
He Min (何敏)	240	–	–	–	120	360
Huang Ming (黃明)	240	–	–	–	120	360
Liao Changjiang (廖長江)	240	–	–	–	120	360
Xu Quan (許權)	240	–	–	–	120	360
	960	8,161	3,320	142	2,201	14,784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. Directors', Chief Executive's and Employees' Remunerations (continued)

Notes:

- (i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- (ii) Appointed on 6 January 2014.
- (iii) Resigned on 18 November 2014.
- (iv) Appointed on 28 March 2013.
- (v) The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

Employees' emoluments

The five individuals with the highest emoluments in the Group included 5 (2013: 3) directors for the year ended 31 December 2014. Details of their emoluments are set out above. The emoluments of the remaining nil (2013: 2) of the five highest paid individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowances	–	3,296
Discretionary bonus	–	1,929
Retirement benefit scheme contributions	–	95
Share-based payments	–	847
	–	6,167

Their emoluments were within the following band:

	2014 No. of employees	2013 No. of employees
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	–	1

During the years ended 31 December 2014 and 2013, no remuneration was paid by the Group to any of the directors and Chief Executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and Chief Executive waived any remuneration for the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. Dividends

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year:		
2013 Final – HK6.68 cents (2013: 2012 final dividend HK5.50 cents) per share	306,054	228,576

Note: Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of HK5.39 cents, equivalent to RMB4.36 cents (2013: final dividend for the financial year ended 31 December 2013 of HK6.68 cents, equivalent to RMB5.27 cents) per share amounting to approximately RMB251,000,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

14. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	1,255,341	1,215,038
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,743,200,974	5,181,097,750
Effect of dilutive potential ordinary shares Share options	5,218,237	26,579,949
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,748,419,211	5,207,677,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. Property, Plant and Equipment

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2013	416,015	44,904	27,283	81,381	24,604	84,500	678,687
Additions	–	4,946	8,667	26,754	245,373	51,347	337,087
Acquisition of subsidiaries (note 43(a) and (b))	–	49,622	–	6,554	–	–	56,176
Disposal of subsidiaries (note 44(a))	–	–	–	–	(991)	–	(991)
Transfer upon completion	2,910	40,589	–	–	–	(43,499)	–
Transfer to investment properties (Note)	–	(4,947)	–	–	–	–	(4,947)
Disposals	–	–	–	(1,007)	(6,371)	–	(7,378)
At 31 December 2013	418,925	135,114	35,950	113,682	262,615	92,348	1,058,634
Transfer from property for sales	91,509	–	–	–	–	–	91,509
Transfer from investment properties (note 16)	–	33,130	–	–	–	–	33,130
Additions	237,000	10,010	52,464	27,054	12,086	270,443	609,057
Acquisition of subsidiaries (note 43(a) and (b))	–	3,314	4,266	5,223	2,249	–	15,052
Disposal of subsidiaries (note 44(a) and (b))	–	–	–	(937)	(444)	–	(1,381)
Transfer to investment properties (Note)	(5,009)	(155)	–	–	–	–	(5,164)
Disposals	–	–	(6,050)	(21,767)	(1,723)	–	(29,540)
At 31 December 2014	742,425	181,413	86,630	123,255	274,783	362,791	1,771,297
DEPRECIATION							
At 1 January 2013	20,175	8,970	17,336	33,057	13,462	–	93,000
Provided for the year	22,250	13,640	4,429	17,094	7,108	–	64,521
Eliminated on disposal of subsidiaries	–	–	–	–	(267)	–	(267)
Eliminated on disposals	–	–	–	(668)	(3,103)	–	(3,771)
Transfer to investment properties (Note)	–	(90)	–	–	–	–	(90)
At 31 December 2013	42,425	22,520	21,765	49,483	17,200	–	153,393
Provided for the year	22,956	21,489	8,133	2,759	35,758	–	91,095
Eliminated on disposal of subsidiaries	–	–	–	(88)	(40)	–	(128)
Eliminated on disposals	–	(656)	(740)	(11,607)	(1,860)	–	(14,863)
Transfer to investment properties (Note)	(82)	–	–	–	–	–	(82)
At 31 December 2014	65,299	43,353	29,158	40,547	51,058	–	229,415
CARRYING AMOUNTS							
At 31 December 2014	677,126	138,060	57,472	82,708	223,725	362,791	1,541,882
At 31 December 2013	376,500	112,594	14,185	64,199	245,415	92,348	905,241

Note: During the year ended 31 December 2014, buildings with carrying amount of RMB5,082,000 (2013: RMB4,857,000) were transferred to investment properties upon change in use as evidenced by commencement of operating leases. The excess of the fair value of these properties at the date of change in use over the carrying amounts, amounting to approximately RMB9,942,000 (2013: RMB3,960,000) were recognised in other comprehensive income and accumulated in the property revaluation reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. Property, Plant and Equipment (continued)

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease or 20 years
Buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvements	5–10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 to 15 years

As at 31 December 2014, certain of the Group's buildings and hotel buildings with carrying amounts of RMB521,182,000 (2013: RMB223,582,000) were pledged to banks to secure certain banking facilities granted to the Group.

The hotel buildings amounting to approximately RMB637,556,000 (2013: RMB336,122,000) and RMB39,570,000 (2013: RMB40,378,000) are held under medium-term and long-term leases in the PRC, respectively. All the buildings are held under medium-term lease in the PRC at the end of both reporting periods.

As at 31 December 2014, transportation equipment amounting to approximately RMB205,903,000 (2013: RMB235,710,000) are held under finance lease.

16. Investment Properties

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2013	3,170,233	252,000	3,422,233
Transfer from property, plant and equipment (note 15)	8,817	–	8,817
Additions	21,447	86,650	108,097
Transfer from completed properties for sale (note 29)	104,137	–	104,137
Transfer upon completion of construction work	22,390	(22,390)	–
Disposals	(85,826)	–	(85,826)
Net change in fair value recognised in profit or loss	55,885	111,434	167,319
Acquisition of subsidiaries (note 43(a))	314,301	290,227	604,528
Disposal of subsidiaries (note 44(a))	(316,477)	–	(316,477)
At 31 December 2013	3,294,907	717,921	4,012,828
Transfer from property, plant and equipment (note 15)	15,024	–	15,024
Additions	44,596	612,254	656,850
Transfer from prepaid lease payments (note 22)	–	504,266	504,266
Transfer from premium on prepaid lease payments (note 23)	–	154,569	154,569
Transfer from completed properties for sale (note 29)	602,110	–	602,110
Transfer upon completion of construction work	531,216	(531,216)	–
Disposals	(12,214)	–	(12,214)
Transfer to property, plant and equipment (note 15)	(33,130)	–	(33,130)
Net change in fair value recognised in profit or loss	25,094	550,746	575,840
Acquisition of subsidiaries (note 43(a))	165,932	–	165,932
At 31 December 2014	4,633,480	2,008,595	6,642,075

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16. Investment Properties (continued)

As at 31 December 2014, the fair value of the Group's completed investment properties of RMB4,633,480,000 (2013: RMB3,294,907,000) and investment properties under development of RMB2,008,595,000 (2013: RMB717,921,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties are determined by income capitalisation approach, which is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction are arrived at by residual method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development.

In estimating the fair value of the properties, highest and best use of the properties is their current use.

As at 31 December 2014, investment properties with fair value of RMB710,559,000 (2013: RMB624,867,000) represent completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied as there were no special provisions to obtain any title certificates, according to the relevant laws and regulations in the PRC.

As at 31 December 2014, certain of the Group's investment properties with an aggregate fair value of RMB3,644,819,000 (2013: RMB2,339,332,000) were pledged to banks to secure the banking facilities granted to the Group.

The investment properties amounting to approximately RMB2,478,575,000 (2013: RMB945,592,000) and RMB4,163,500,000 (2013: RMB3,067,236,000) are held under medium-term and long-term leases in the PRC, respectively. All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2014 and 31 December 2013 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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For the year ended 31 December 2014

16. Investment Properties (continued)

Investment properties held by the Group	Fair value as at 31 December 2014 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range
Completed investment properties	4,579,312	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield (the higher of the term yield, the lower of the fair value) 2. Reversionary yield (the higher of the reversionary yield, the lower of the fair value) 3. Vacancy ratio (the higher of vacancy, the lower of the fair value)	2.0%–5.0% 2.3%–6.0% 0.0%–8.0%
Completed investment properties	54,168	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	N/A	N/A
Investment properties under construction	1,390,599	Level 3	Residual method – based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development.	1. Contingency (the higher of the contingency, the lower of the fair value) 2. Developer's profit (the higher of the developer's profit, the lower of the fair value) 3. Marketing costs (the higher of the marketing costs, the lower of the fair value) 4. Future construction costs for completion (the higher of the construction costs, the lower of the fair value) 5. Gross development value (RMB64/M) (the higher of the gross development value, the higher of the fair value)	5% 10% 2% N/A RMB5,000–RMB9,200
Investment properties under construction	617,996	Level 3	Replacement cost method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm) (the higher of the market unit sales rate, the higher of the fair value)	RMB5,600–RMB13,000
	6,642,075				

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For the year ended 31 December 2014

16. Investment Properties (continued)

Investment properties held by the Group	Fair value as at	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range
	31 December 2013 RMB'000				
Completed investment properties	3,245,541	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield (the higher of the term yield, the lower of the fair value) 2. Reversionary yield (the higher of the reversionary yield, the lower of the fair value) 3. Vacancy ratio (the higher of vacancy, the lower of the fair value)	2.0%–5.5% 2.3%–6.0% 0.0%–8.0%
Completed investment properties	49,366	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	N/A	N/A
Investment properties under construction	318,160	Level 3	Residual method – based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development.	1. Contingency (the higher of the contingency, the lower of the fair value) 2. Developer's profit (the higher of the developer's profit, the lower of the fair value) 3. Marketing costs (the higher of the marketing costs, the lower of the fair value) 4. Future construction costs for completion (the higher of the construction costs, the lower of the fair value) 5. Gross development value (RMB59/M) (the higher of the gross development value, the higher of the fair value)	5% 10% 2% N/A RMB5,000–RMB10,000
Investment properties under construction	399,761	Level 3	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm) (the higher of the market unit sales rate, the higher of the fair value)	RMB5,300–RMB9,715
	4,012,828				

During the year ended 31 December 2014, there were investment properties amounting to approximately RMB107,335,000 (2013: nil) transferred out of Level 3 upon completion of construction work. There were no transfers into Level 3 during the years ended 31 December 2014 and 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. Interests in Associates

	2014 RMB'000	2013 RMB'000
Cost of investments, unlisted	990	500
Share of post-acquisition results and other comprehensive income, net of dividends received	763	1,066
	1,753	1,566

As at 31 December 2014 and 2013, the Group had interests in the following associates:

Name of associates	Registered capital/ share capital	Equity interest attributable to the Group as at 31 December		Principal activities
		2014	2013	
Shenzhen Yuezhong Property Management Co., Limited 深圳市越眾物業管理有限公司	RMB1,000,000	50%	50%	Property management
Capitalrise Investment Pte. Ltd. 新加坡置富投資有限公司	SGD100	29%	29%	Inactive
Shenzhen Qianhai House Keeper Network Service Co., Ltd 深圳市前海房管家服務有限公司	RMB1,000,000	49%	–	Property management

In the opinion of the directors of the Company, no associate is individually material to the Group.

18. Interests in Joint Ventures

	2014 RMB'000	2013 RMB'000
Cost of investments, unlisted	628,132	77,798
Share of post-acquisition results and other comprehensive income, net of dividends received	(18,151)	(6,714)
	609,981	71,084

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For the year ended 31 December 2014

18. Interests in Joint Ventures (continued)

As at 31 December 2014 and 2013, the Group had interests in the following joint ventures:

Name of joint ventures	Total capital amount injected by investors	Group's capital contribution over total capital injected by investors as at 31 December		Principal activities
		2014	2013	
Fantasia (Novena) Pte. Ltd. ("Novena")	SGD1,000,000	90.0%	90.0%	Property development in Singapore
TCL伊托邦(武漢)城市建設投資有限公司 TCL Yituobang (Wuhan) City Construction Investment Company Limited ("Yituobang") (note i)	RMB20,000,000	50.0%	–	Property development in PRC
南京中儲房地產開發有限公司 Nanjing Zhongchu Property Development Company Limited ("Zhongchu")	RMB240,000,000	60.0%	–	Property development in PRC
寧波世紀華豐房產有限公司 Ningbo Century Huafeng Property Company Limited ("Huafeng") (note ii)	RMB427,500,000	49.0%	100.0%	Property development in PRC
新疆同之年股權投資合夥企業(有限合夥) Xinjiang Tongzhinian Equity Investment Partnership (Limited Liability Partnership) ("Xinjiang Tongzhinian") (note iii and iv)	RMB210,000,000	–	9.4%	Investment in property project in PRC

According to the Articles of Association of Novena, Yituobang, Zhongchu and Huafeng, all operating and financing decisions require unanimous consent and approval from the shareholders including the Group and the other party.

Notes:

For the year ended 31 December 2014

- (i) The Group acquired 50% equity interests in Yituobang through the acquisition of the entire equity interest and indebtedness due to a former shareholder in Huizhou TCL Property Development Company Limited (惠州TCL房地產開發有限公司) ("Huizhou TCL") from TCL Corporation and two other independent third parties, and details of the related acquisition are disclosed in note 43(a).
- (ii) The Group partially disposed of its 51% equity interests in Huafeng to an independent third party, and details of related disposal are disclosed in note 44(b).
- (iii) On 30 August 2014, the Group acquired additional 45% equity interests in TCL King Electronic Shenzhen Company Limited from Xinjiang Tongzhinian at a cash consideration of RMB238,535,000. Xinjiang Tongzhinian was liquidated at 30 November 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. Interests in Joint Ventures (continued)

For the year ended 31 December 2013

(iv) The Group disposed of its 45% equity interests in TCL King Electronic Shenzhen Company Limited to Xinjiang Tongzhinian, and details of related disposal are disclosed in note 44(c).

The principal activities of the above joint ventures are strategic to the Group to continue with the expansion of the Group's property development operation.

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

All of these joint ventures are accounted for using the equity method in these consolidated financial statements.

Novena

	2014 RMB'000	2013 RMB'000
Current assets	809,158	761,219

The above amounts of assets mainly include the followings:

Properties under development	807,421	750,855
Bank balances	1,737	9,808
Prepayment	–	556
Current liabilities	238,861	168,714
Non-current liabilities	518,925	535,132

The above amounts of liabilities mainly include the followings:

Trade and other payables	66,573	26,438
Deposits received for sale of properties	22,433	3,086
Amount due to the Group	149,855	139,190
Borrowings	518,925	535,132
Loss and total comprehensive expense for the year	6,001	7,159

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

Net assets of the joint venture	51,372	57,373
Proportion of the Group's ownership interest in Novena	90.0%	90.0%
Carrying amount of the Group's interest in Novena	46,235	51,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. Interests in Joint Ventures (continued)

Zhongchu

	2014 RMB'000
Current assets	2,752,641
Non-current assets	383

The above amounts of assets include the followings:

Property, plant and equipment	383
Properties under development for sale	1,127,542
Trade and other receivables	645,245
Amount due from certain subsidiaries of the Company	962,387
Bank balances and cash	17,467
Current liabilities	2,152,909

The above amounts of liabilities include the followings:

Trade and other payables	2,152,909
Loss and total comprehensive expense for the year	2,880

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2014 RMB'000
Net assets of the joint venture	600,115
Proportion of the Group's ownership interest in Zhongchu	60.0%
Carrying amount of the Group's interest in Zhongchu	360,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. Interests in Joint Ventures (continued)

Huafeng

	2014 RMB'000
Current assets	1,422,656

The above amounts of assets include the followings:

Properties under development	1,124,066
Trade and other receivables	274,510
Amount due to certain subsidiaries of the Company	24,080
Current liabilities	629,005
Non-current liabilities	398,400

The above amounts of liabilities include the followings:

Trade and other payables	629,005
Borrowings	398,400
Loss and total comprehensive expense for the year	9,476

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2014 RMB'000
Net assets of the joint venture	395,251
Proportion of the Group's ownership interest in Huafeng	49.0%
Carrying amount of the Group's interest in Huafeng	193,673

19. Available-For-Sale Investment

The investment represents 10% equity investment in unlisted equity security issued by a private entity incorporated in the PRC. Its principal activity is property development in PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. It was acquired during the year ended 31 December 2013 through the acquisition of entire equity interest in Charmful Limited (see note 43(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. Goodwill

	RMB'000
COST	
At 1 January 2013	48,004
Arising on acquisition of businesses (note 43(b))	62,779
At 31 December 2013	110,783
Arising on acquisition of businesses (note 43(b))	54,651
At 31 December 2014	165,434
IMPAIRMENT	
At 1 January 2013, 31 December 2013 and 31 December 2014	31,516
CARRYING AMOUNTS	
At 31 December 2014	133,918
At 31 December 2013	79,267

During the year ended 31 December 2014, the Group acquired several subsidiaries from independent third parties at total cash consideration of approximately RMB72,605,000. The principal activities of the acquirees are mainly provision of property operation services. Details of related acquisition are disclosed in note 43(b).

Goodwill acquired in business combinations is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from those business combinations.

During the years ended 31 December 2014 and 2013, management of the Group determined that there is no impairment of its CGU containing goodwill for the acquisition of businesses.

21. Intangible Assets

	Property management contracts RMB'000
COST	
Arising on acquisition of subsidiaries in 2013 and at 1 January 2014 (note 43(b))	1,813
Arising on acquisition of subsidiaries (note 43(b))	29,448
At 31 December 2014	31,261
AMORTISATION	
Charge for year in 2013 and at 1 January 2014	906
Charge for the year	3,505
At 31 December 2014	4,411
CARRYING AMOUNTS	
At 31 December 2014	26,850
At 31 December 2013	907

The property management contracts and customer relationship were acquired from independent third parties through the acquisition of subsidiaries during the years ended 31 December 2014 and 2013.

The above intangible assets have finite useful lives are amortised on a straight line basis over the contracts period of 6 to 60 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. Prepaid Lease Payments

The Group's prepaid lease payments comprise:

	2014 RMB'000	2013 RMB'000
Leasehold land in the PRC		
Medium-term lease	331,382	757,486
Long-term lease	587,442	507,153
	918,824	1,264,639
Analysed for reporting purposes as:		
	2014 RMB'000	2013 RMB'000
Current assets	34,274	30,828
Non-current assets	884,550	1,233,811
	918,824	1,264,639

During the year ended 31 December 2014, the Group acquired prepaid lease payments of RMB621,159,000 (2013: RMB7,228,000) through the acquisition of subsidiaries as disclosed in note 43(a).

During the year ended 31 December 2014, the Group acquired prepaid lease payments of RMB275,995,000 (2013: RMB766,512,000) through public auction.

During the year ended 31 December 2014, prepaid lease payments of RMB714,115,000 (2013: RMB476,915,000) were transferred to properties under development for sale upon commencement of the related construction work in certain property development projects.

During the year ended 31 December 2014, prepaid lease payments of RMB504,266,000 (2013: nil) were transferred to investment properties upon finalisation of development plan of investment properties projects in PRC.

As at 31 December 2014, certain of the Group's prepaid lease payments with a carrying amount of RMB718,467,000 (2013: RMB429,083,000) were pledged to banks to secure the banking facilities granted to the Group.

23. Premium on Prepaid Lease Payments

Premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments and amounting to nil (2013: RMB186,398,000) and RMB179,525,000 (2013: RMB214,487,000) in respect of leasehold lands in the PRC under medium-term and long-term lease acquired through acquisition of subsidiaries during the year and are amortised over the period of the remaining lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. Premium on Prepaid Lease Payments (continued)

	RMB'000
COST	
At 1 January 2013	630,538
Acquisition of assets and liabilities through acquisition of subsidiaries (note 43(a))	45,412
Transfer to property under development for sales	(246,809)
At 31 December 2013	429,141
Transfer to property under development for sales	(45,412)
Transfer to investment properties under construction (note 16)	(179,353)
At 31 December 2014	204,376
AMORTISATION	
At 1 January 2013	20,175
Amortised for the year	15,342
Eliminated on transfer to property under development for sales	(7,261)
At 31 December 2013	28,256
Amortised for the year	22,910
Eliminated on transfer to property under development for sales	(1,531)
Eliminated on transfer to investment properties under construction (note 16)	(24,784)
At 31 December 2014	24,851
CARRYING AMOUNTS	
At 31 December 2014	179,525
At 31 December 2013	400,885

Analysed for reporting purposes as:

	2014 RMB'000	2013 RMB'000
Current assets	3,678	10,853
Non-current assets	175,847	390,032
	179,525	400,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. Land Development Expenditure

	2014 RMB'000	2013 RMB'000
Cost incurred	667,965	666,131

In March 2011, the Group entered into agreement (“Agreement”) with the People’s Government of Chengdu (“Chengdu Government”) relating to the development of the Wu Gui Qiao Town located in Jinjiang area, Chengdu, Sichuan Province (“Land Development Project 1”). Under the Agreement, the Group is required to jointly construct the ancillary facilities on these parcels of land pursuant to the guidelines set by the Chengdu Government while the Chengdu Government is required to complete the demolition and resettlement work on these parcels of land. The balance of land development expenditure represents the cost incurred for constructing the ancillary facilities. The additions during the year ended 31 December 2014 amounted to approximately RMB1,834,000 (2013: RMB111,586,000) and balance as at 31 December 2014 amounted to approximately RMB667,965,000 (2013: RMB666,131,000).

Chengdu Government is required to arrange public auction for these parcels of land on or before 30 June 2015 after the Group has completed the construction of ancillary facilities and the Chengdu Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement.

The Land Development Project 1 is not expected to be completed within the normal operating cycle of the Group and accordingly is classified as non-current assets.

25. Deposits Paid for Acquisition of Subsidiaries

As at 31 December 2014, the Group has made deposits of approximately RMB119,889,000 (2013: RMB50,000,000) in relation to the acquisition of parcels of land through acquisition of Yunnan Zhongfucheng Property Development Company Limited (雲南眾福成房地產開發有限公司) (“Yunnan Zhongfucheng”) from an independent third party. The aforesaid companies are principally engaged in property development in the PRC.

As at 31 December 2014, the Group has made deposits of approximately RMB142,661,000 in relation to the acquisition of a number of companies which are principally engaged in property operation in the PRC from independent third parties. According to the sale and purchase agreements, in case of incompleteness of the acquisitions, the deposits paid will be fully refund to the Group. As at the date of issuance of these consolidated financial statements, the Group has completed the acquisition of Shenyang Tiansheng Hegan Property Management Co., Ltd. (瀋陽天盛河畔物業有限公司) and Tieling Shiji Zhongtian Property Management Co., Ltd. (鐵嶺世紀中天物業有限公司).

As at 31 December 2013, the Group has made deposits of approximately RMB100,000,000 in relation to the acquisition of parcels of land through acquisition of Shenzhen Jindiying Investment Company Limited (深圳市金地盈投資有限公司) (“Shenzhen Jingdiying”) from an independent third party. The aforesaid company is principally engaged in property development in the PRC. The acquisition of Shenzhen Jingdiying was completed in 2014 (see note 43(a)).

26. Deposit Paid for Acquisition of a Property Project

As at 31 December 2014, the Group had made deposit of approximately RMB136,648,000 (2013: RMB132,346,000) in relation to the acquisition of a property project from an independent property developer. During the year ended 31 December 2014, the Group made additional deposit of approximately RMB4,302,000 for acquiring the aforesaid property project.

The aforesaid deposit relates to acquisition of a building for hotel operations and is therefore classified as non-current assets.

At the date these consolidated financial statements were authorised for issue, the acquisition of the property project has not been completed.

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For the year ended 31 December 2014

27. Deposits Paid for Acquisition of Land Use Rights

As at 31 December 2014, the Group had made deposits of approximately RMB1,005,685,000 in relation to acquisition of land use rights from third parties (2013: RMB435,423,000). In the opinion of the directors of the Company, the aforesaid transactions are expected to be completed within twelve months from the end of the reporting period.

28. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are as follow:

	Fair value change of investment properties RMB'000	Revaluation of other properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Intangible assets RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2013	747,634	19,484	(9,926)	(110,003)	–	(284,003)	363,186
Charge to other comprehensive income	–	990	–	–	–	–	990
Acquisition of subsidiaries (note 43(a) and (b))	31,801	–	–	–	453	–	32,254
Charge (credit) to profit or loss	66,381	–	(20,782)	(8,783)	(227)	(74,212)	(37,623)
Disposal of a subsidiaries (note 44(a))	(32,345)	–	–	–	–	–	(32,345)
At 31 December 2013	813,471	20,474	(30,708)	(118,786)	226	(358,215)	326,462
Charge to other comprehensive income	–	2,485	–	–	–	–	2,485
Acquisition of subsidiaries (note 43(a))	19,294	–	(4,029)	(7,444)	7,362	2,508	17,691
Charge (credit) to profit or loss	324,462	–	(12,737)	(60,456)	(876)	(14,137)	236,256
Disposal of subsidiaries (note 44(a) and (b))	–	–	4,105	12,785	–	(2,343)	14,547
At 31 December 2014	1,157,227	22,959	(43,369)	(173,901)	6,712	(372,187)	597,441

Note: Others mainly represent the deductible temporary difference arising from LAT provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. Deferred Taxation (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 RMB'000	2013 RMB'000
Deferred tax assets	(498,714)	(393,454)
Deferred tax liabilities	1,096,155	719,916
	597,441	326,462

As at 31 December 2014, the Group had unutilised tax losses of approximately RMB2,118,150 (2013: RMB1,388,626,000). A deferred tax asset has been recognised in respect of approximately RMB695,604,000 (2013: RMB475,144,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,422,546,000 (2013: RMB913,482,000) due to the unpredictability of future profits streams.

As at 31 December 2014, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB7,324,895,000 (2013: RMB4,939,281,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

29. Properties for Sale

	2014 RMB'000	2013 RMB'000
Completed properties for sale	6,266,564	3,510,942
Properties under development for sale	13,175,952	10,680,537
	19,442,516	14,191,479

As at 31 December 2014, certain of the Group's properties for sale with a carrying amount of RMB5,832,326,000 (2013: RMB5,455,403,000) were pledged to secure certain banking facilities granted to the Group.

During the year ended 31 December 2014, completed properties for sale with an aggregate carrying amount of approximately RMB506,445,000 (2013: RMB93,960,000) were transferred to investment properties upon change in use as evidenced by signing of relevant tenancy agreements.

The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to approximately RMB95,665,000 (2013: RMB10,177,000) were recognised in the consolidated statement of profit or loss and other comprehensive income.

Included in the amount are properties under development for sale of approximately RMB7,389,330,000 (2013: RMB4,593,617,000) in relation to property development projects that are expected to complete after one year from the end of the reporting period.

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30. Trade and Other Receivables

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, services and management income in respect of property management.

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, certain portion are received on or before the date of delivery of the properties to customers which is recorded as deposits received for sale of properties and the remaining balance are normally settled within 30–90 days from date of delivery of the properties to the customers under the sale and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and services fee income is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property management services has a designated credit limit.

Hotel operation income is in the form of cash sales.

	2014 RMB'000	2013 RMB'000
Trade receivables	1,034,555	661,721
Other receivables (note i)	321,438	278,857
Prepayments and other deposits	103,146	116,237
Prepayments for suppliers	187,386	226,028
Prepayments for construction work	1,262,129	1,511,936
Consideration receivables on disposal of subsidiaries (note 44(a))	286,446	205,369
Consideration receivables on disposal of partial interests in subsidiaries resulting in loss of control (note 44(b))	206,410	–
Consideration receivables on disposal of partial interests in subsidiaries without loss of control (note 44(c))	162,250	–
Amount due from Pixian Government (note ii)	135,989	375,989
Other tax prepayments (note iii)	173,613	207,522
	<hr/> 3,873,362	<hr/> 3,583,659

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For the year ended 31 December 2014

30. Trade and Other Receivables (continued)

Notes:

- (i) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation segment.
- (ii) In September 2009, the Group entered into an agreement (“Agreement 1”) with Pixian Government relating to the joint development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province (“Land Development Project 2”). Under the Agreement 1, the Group is responsible for preparing overall plans and detailed designs of the culture park as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work, arrange public auction and pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 1.

During the year ended 31 December 2013, the Group entered into an agreement (“Agreement 2”) with Pixian Government relating to the cancellation of the Agreement 1 and revision of the terms of the Land Development Project 2. Under the Agreement 2, the Group is responsible for provision of funds to Pixian Government and management of the Land Development Project to Pixian Government while the Pixian Government is required to repay finance cost at Benchmark Rate, investment income at 12% per annum and project management fee at 3% per annum based on the accumulated cost incurred by the Group as stipulated in the formula set out in the Agreement 2, before the execution of Agreement 2.

During the year ended 31 December 2014, RMB240,000,000 has been settled by Pixian Government and the remaining amount of RMB135,989,000, which represents the finance cost and investment income receivables, is required to be settled on or before 30 June 2015. The principal amounting to approximately RMB376,841,000 is required to be settled upon the land are disposed by Pixian Government which is classified as non-current assets.

- (iii) During the year ended 31 December 2014, the Group is required to prepay business tax amounting to approximately RMB188,054,000 (2013: RMB204,844,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. At 31 December 2014, amount of RMB168,946,000 (2013: RMB200,573,000) has been prepaid and included in other tax prepayments.

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the date of delivery of the properties to the customers at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
0 to 30 days	617,505	300,701
31 to 90 days	101,979	97,072
91 to 180 days	72,856	45,825
181 to 365 days	141,341	143,666
Over 1 year	100,874	74,457
	1,034,555	661,721

The trade receivables as at 31 December 2014 included the receivables from the property sales of approximately RMB343,772,000 (2013: RMB375,759,000) whereby the banks have agreed to provide mortgage facilities to the property purchasers and the banks are in the process of releasing the funds to the Group.

For property investment and property operating services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

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30. Trade and Other Receivables (continued)

As at 31 December 2014, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB315,071,000 (2013: RMB236,948,000) which are past due for which the Group has not provided impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2014 RMB'000	2013 RMB'000
91 to 180 days	72,856	45,825
181 to 365 days	141,341	143,666
Over 1 year	100,874	74,457
	315,071	236,948

Movement in the allowance for doubtful debts in respect of trade and other receivables

	2014 RMB'000	2013 RMB'000
Balance at the beginning of the year	9,102	13,219
Impairment losses reversed	(5,044)	(5,697)
Impairment losses recognised	44,697	1,580
Balance at the end of the year	48,755	9,102

As at 31 December 2014, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB48,755,000 (2013: RMB9,102,000) of which the debtors have been in trade dispute with the Group.

31. Amounts Due from Customers for Contract Works

	2014 RMB'000	2013 RMB'000
Contract costs incurred plus recognised profits less recognised losses	363,489	544,747
Less: progress billings	(312,224)	(558,006)
	51,265	(13,259)
Analysed for reporting purposes as:		
Amounts due from customers for contract works	59,460	41,059
Amounts due to customers for contract works	(8,195)	(54,318)
	51,265	(13,259)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. Amount Due from a Joint Venture

As at 31 December 2014, the balance of amount due from a joint venture, Novena, amounting to approximately RMB149,855,000 (2013: RMB139,190,000) is of non-trade nature, unsecured, interest-free and repayable on demand.

33. Restricted/Pledged Bank Deposits/Bank Balances and Cash

Restricted/pledged bank deposits

The deposits carry interest rates ranging from 0.4% to 0.5% (2013: 0.4% to 0.5%) per annum. The restricted bank deposits amounting to approximately RMB272,741,000 (2013: RMB130,792,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount RMB145,211,000 (2013: RMB178,737,000) are proceeded from presale of properties with the restriction of use for settlement of construction costs for relevant property projects, and term deposits amounting to approximately RMB496,644,000 (2013: RMB545,038,000) were pledged to banks to secure the short term banking facilities granted to the Group.

Bank balances and cash

The bank balances carry variable interest rates ranging from 0.4% to 2.3% (2013: 0.4% to 2.3%) per annum.

As at 31 December 2014, bank balances of the relevant group entities denominated in foreign currencies of USD, HKD, TWD, JPY and SGD, are RMB60,413,000 (2013: RMB57,407,000), RMB318,722,000 (2013: RMB307,011,000), nil (2013: RMB2,255,000), RMB3,366,000 (2013: RMB25,795,000) and RMB243,000 (2013: RMB17,734,000), respectively.

34. Trade and Other Payables

	2014 RMB'000	2013 RMB'000
Trade payables	3,706,547	1,660,348
Deposits received (note i)	183,996	24,067
Other payables (note ii)	891,659	515,233
Other tax payables	137,307	61,559
Payroll payables	100,835	74,103
Welfare payables	4,673	2,620
Retention payables	6,870	60,400
Consideration payables (note 43(a) and (b))	426,297	19,462
Accruals	57,959	35,837
	5,516,143	2,453,629

Notes:

- (i) The balance of RMB183,996,000 (2013: RMB24,067,000) represents the earnest money received from potential property buyers..
- (ii) The balance mainly represents a subsidy received from a local government authority for a property development project and will be recognised in profit or loss on a systematic basis in the same periods in which the expenses are incurred, i.e. when the cost of sales were recognised upon the completion of the project and delivery of the properties to buyers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. Trade and Other Payables (continued)

Trade payables principally comprise amounts outstanding for purchase of materials for the construction of properties for sale and ongoing expenditures. The average credit period for purchase of construction materials ranged from six months to one year.

The following is an aged analysis of the Group's trade payables and retention payables presented based on the invoice date at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
0 to 60 days	2,774,979	1,217,018
61 to 180 days	260,645	223,488
181 to 365 days	507,270	153,212
1–2 years	118,654	42,320
2–3 years	11,014	80,116
Over 3 years	40,855	4,594
	3,713,417	1,720,748

As at 31 December 2014, the balances of RMB6,870,000 (2013: RMB60,400,000) represents the retention money of approximately 5% to 10% of the construction contract price.

35. Amount Due to a Related Party

	2014 RMB'000	2013 RMB'000
深圳立方建築設計顧問有限公司 Shenzhen Cube Architecture Designing Consultants Company Limited (“Cube Architecture”) (Note)	–	506

Note: Cube Architecture is an associate of a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company. The amount was unsecured, interest-free and represents the payables to Cube Architecture for the design fee of several property projects of the Group, and accordingly was of trade nature. The aging of the balance was within 90 days.

36. Amounts Due to Joint Ventures

As at 31 December 2014, the amounts due to Zhongchu amounting to RMB962,387,000 (2013: nil), Huafeng amounting to RMB24,080,000 (2013: nil) and Yituobang amounting to RMB10,000,000 (2013: nil) are of non-trade nature, unsecured, interest-free and repayable on demand.

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37. Borrowings

	Notes	2014 RMB'000	2013 RMB'000
Bank loans		6,174,400	5,395,393
Other loans	(i)	1,600,000	1,600,000
		7,774,400	6,995,393
Secured	(ii)	7,636,242	5,886,462
Unsecured		138,158	1,108,931
		7,774,400	6,995,393
Carrying amount repayable:	(iii)		
Within one year		4,122,925	1,873,357
More than one year, but not exceeding two years		1,867,361	2,148,749
More than two years, but not exceeding five years		927,821	2,445,580
More than five years		856,293	527,707
Total borrowings		7,774,400	6,995,393
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)		–	(180,000)
Less: Amounts due within one year shown under current liabilities		(4,122,925)	(1,873,357)
Borrowings due within one year		(4,122,925)	(2,053,357)
Borrowings due after one year		3,651,475	4,942,036

Notes:

- (i) Other loans amounting to RMB1,600,000,000 (2013: RMB1,600,000,000) represent loans provided by certain trust companies, which are secured by property, plant and equipment, investment properties and properties for sale, carry interest at the fixed rate of 9.5% (2013: 9.5%) per annum. The loan balances as at 31 December 2014 will be fully repaid within 2015.
- (ii) As at 31 December 2014, certain directors of the Company provided joint guarantees to the banks and trust companies to secure the Group's bank and other borrowings amounting to RMB59,640,000 (2013: RMB53,552,000) in aggregate.
- (iii) The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2014, all borrowings are denominated in RMB except that secured borrowings amounting to approximately RMB136,577,000 (2013: RMB624,432,000), RMB85,251,000 (2013: RMB108,500,000) and RMB42,413,000 (2013: RMB40,551,000) are denominated in USD, HKD and JPY respectively, the functional currencies of relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. Borrowings (continued)

The analysis of the Group's fixed-rate borrowings based on their contractual maturity dates (or reset dates) is as follows:

	2014 RMB'000	2013 RMB'000
Fixed-rate borrowings:		
Within one year	1,854,542	57,075
More than one year, but not exceeding two years	244,791	1,557,075
More than two years, but not exceeding five years	2,221	4,083
More than five years	227,373	64,319
	2,328,927	1,682,552

In addition, the Group has variable-rate borrowings which carry interest linked to LIBOR, HIBOR and Benchmark Rate. Interest is reset every six months. The analysis of the Group's variable-rate borrowings based on their contractual maturity dates are as follows:

	2014 RMB'000	2013 RMB'000
Variable-rate borrowings:		
Within one year	2,268,383	1,816,282
More than one year, but not exceeding two years	1,622,570	591,674
More than two years, but not exceeding five years	925,600	2,441,497
More than five years	628,920	463,388
	5,445,473	5,312,841

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	9.5% per annum	9.5% per annum
Variable-rate borrowings		
LIBOR	+2.0% per annum	+2.0% per annum
HIBOR	+2.0% per annum	+2.0% per annum
Benchmark Rate	-0.1% to +3.5% per annum	-0.1% to +3.3% per annum

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. Obligations under Finance Leases

	2014 RMB'000	2013 RMB'000
Analysed for reporting purposes as:		
Current liabilities	20,826	26,003
Non-current liabilities	119,749	140,418
	140,575	166,421

It is the Group's policy to lease certain of its transportation equipment under finance leases. The average lease term is 7 years (2013: 8 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging 4.2% (2013: 4.2%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Amounts payable under finance leases				
Within one year	26,235	32,595	20,826	26,003
More than one year but not more than two years	25,369	26,530	20,426	26,003
More than two years but not more than five years	70,915	74,402	62,878	62,408
More than five years	37,771	61,368	36,445	52,007
	160,290	194,895	140,575	166,421
Less: future finance charge	(19,715)	(28,474)	N/A	N/A
Present value of lease obligations	140,575	166,421	140,575	166,421
Less: Amount due for settlement within 12 months (shown under current liabilities)			(20,826)	(26,003)
Amount due for settlement after 12 months			119,749	140,418

Finance lease obligations are denominated in USD, which is not the functional currency of the relevant group entity and secured by lessor's charge on the leased asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. Senior Notes

	Notes	2014 RMB'000	2013 RMB'000
2010 senior notes due 2015	(i)	746,051	739,633
2012 senior notes due 2017	(ii)	1,557,925	1,548,229
2013 – January senior notes due 2020	(iii)	1,572,291	1,566,332
2013 – May senior notes due 2016	(iv)	996,332	989,196
2014 senior notes due 2019	(v)	1,895,533	–
		6,768,132	4,843,390
Less: amounts included in current liabilities		(746,051)	–
Amounts included in non-current liabilities		6,022,081	4,843,390

Notes:

(i) 2010 senior notes

On 12 May 2010, the Company issued guaranteed senior notes in an aggregate principal amount of US\$120,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 98.3% of the principal amount. The senior notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX”). The senior notes carry interest of 14.0% per annum and interest is payable semi-annually on 12 May and 12 November in arrears. The senior notes will mature on 12 May 2015, unless redeemed earlier.

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 5 May 2010 (“Applicable Premium 1”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 1 is the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of the amount equivalent to the principal amount and related interest up to 12 May 2015 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 12 May 2013, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 114% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. As of 31 December 2014, no senior notes had been redeemed by exercised of this option and this option was expired.

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.9% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, at 31 December 2013 and 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. Senior Notes (continued)

Notes: (continued)

(ii) 2012 senior notes

On 27 September 2012, the Company issued senior notes in an aggregate principal amount of US\$250,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 99.5% of the principal amount of the senior notes. The senior notes are listed on the SGX. The senior notes carry interest of 13.8% per annum and interest is payable semi-annually on 27 March and 27 September in arrears. The notes will mature on 27 September 2017, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 20 September 2012 ("Applicable Premium 2") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 2 is the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of the amount equivalent to the principal amount and related interest up to 27 September 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 27 September 2015, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 113.8% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.8% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, at 31 December 2013 and at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. Senior Notes (continued)

Notes: (continued)

(iii) 2013 – January senior notes

On 22 January 2013, the Company issued guaranteed senior notes in an aggregate principal amount of US\$250,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.75% per annum and interest is payable semi-annually on 22 January and 22 July in arrears. The senior notes will mature on 22 January 2020, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 22 January 2013 ("Applicable Premium 3") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 3 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 22 January 2020 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time on or after 22 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 100% percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Period	Redemption price
22 January 2017–21 January 2018	105.3750%
22 January 2018–21 January 2019	102.6875%
22 January 2019 and thereafter	100.0000%

At any time and from time to time prior to 22 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date and at 31 December 2013.

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 11.27% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, at 31 December 2013 and at 31 December 2014.

(iv) 2013 – May senior notes

On 27 May 2013, the Company issued guaranteed senior notes in an aggregate principal amount of RMB1,000,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 7.875% per annum and interest is payable semi-annually on 27 November and 27 May in arrears. The senior notes will mature on 27 May 2016, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

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For the year ended 31 December 2014

39. Senior Notes (continued)

Notes: (continued)

(iv) 2013 – May senior notes (continued)

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2013 (“Applicable Premium 4”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 4 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 27 May 2016 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 27 May 2016, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 107.875% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 8.73% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, at 31 December 2013 and at 31 December 2014.

(v) 2014 senior notes

On 23 January 2014, the Company issued guaranteed senior notes in an aggregate principal amount of USD300,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.625% per annum and interest is payable semi-annually on 23 January and 23 July in arrears. The senior notes will mature on 23 January 2019, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time prior to 23 January 2017, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 23 January 2014 (“Applicable Premium 5”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 5 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 23 January 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time on or after 23 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12-month period beginning on 23 January of the years indicated below.

Period	Redemption price
23 January 2017 – 22 January 2018	105.31250%
23 January 2018 and thereafter	102.65625%

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39. Senior Notes (continued)

Notes: (continued)

(v) 2014 senior notes (continued)

At any time and from time to time prior to 23 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 11.06% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2014.

The movements of the liability component in the senior notes during the year are set out below:

	2014 RMB'000	2013 RMB'000
Carrying amount as at 1 January	4,843,390	2,329,003
Net proceeds on the date of issuance	1,801,274	2,508,503
Exchange loss (gain)	8,479	(102,625)
Interest expenses	768,529	542,664
Less: interest paid to note holders	(653,540)	(434,155)
Carrying amount as at 31 December	6,768,132	4,843,390

The carrying amounts and fair values of senior notes (based on the ask price in SGX) are disclosed below:

		2014 Carrying amount RMB'000	2014 Fair value RMB'000	2013 Carrying amount RMB'000	2013 Fair value RMB'000
Senior notes	Level 1	6,768,132	6,333,896	4,843,390	5,222,844

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40. Redeemable Shares

On 29 May 2013, the Company, Colour Life, China Bowen Capital Management Limited (“China Bowen”) and Splendid Fortune Enterprise Limited entered into a subscription agreement, pursuant to which Colour Life agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares (“China Bowen Subscription Shares”) with a total subscription price of HK\$7,762,400 (equivalent to US\$1,000,000 or RMB6,177,000).

Colour Life has granted an option (the “Put Option”) to China Bowen that in the event that an initial public offering of Colour Life does not complete on or before 4 June 2015 (or such later date as Colour Life and China Bowen may agree in writing) (“Put Option Completion Date”), China Bowen may, for a period of 30 Days thereafter, by notice in writing to Colour Life, require Colour Life to purchase all the China Bowen Subscription Shares then held by China Bowen at the amount equal to the sum of the subscription amount by China Bowen plus a return calculated at the rate of 12% per annum minus any dividends or distribution and any amounts in relation to the transfer of disposal of such China Bowen Subscription Shares, received by China Bowen in relation to the China Bowen Subscription Shares.

The Company has presented the above subscription with the Put Option as a financial liability as at 31 December 2013. If Colour Life completes a qualifying initial public offering on or before 4 June 2015, the China Bowen subscription Shares will be reclassified to share capital of Colour Life and non-controlling interests of the Group and then the carrying amount of the redeemable shares would be included in the share premium of Colour Life and non-controlling interests of the Group.

The effective rate of the redeemable share is 12% per annum, during the year ended 31 December 2014, finance cost amounting of RMB655,000 was charged to profit or loss.

As disclosed in note (vi) of consolidated statement of changes in equity, Colour Life has listed its shares on 30 June 2014, the redeemable shares amounting to RMB6,832,000 were transferred to equity of Colour Life and non-controlling interests of the Group accordingly.

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41. Share Capital

	Number of shares	Amount HK\$	Equivalent to RMB'000
Ordinary shares of HK\$0.1 each			
Authorised:			
At 1 January 2013, 31 December 2013, and 31 December 2014	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2013	5,207,221,750	520,722,175	457,093
Shares repurchased and cancelled	(313,488,000)	(31,348,800)	(27,518)
At 31 December 2013	4,893,733,750	489,373,375	429,575
Issue of shares as consideration for the acquisition of Huizhou TCL (note 43(a)(i))	863,600,074	86,360,007	67,900
Issue of shares upon exercise of share option	124,200	12,420	10
At 31 December 2014	5,757,458,024	575,745,802	497,485

None of the Company's subsidiaries sold or redeemed any of the Company's listed securities during the years ended 31 December 2014 and 2013.

42. Perpetual Capital Instrument

In April 2014, a wholly owned subsidiary (the "Subsidiary") of the Company issued perpetual capital instrument (the "Perpetual Capital Instrument") with the aggregate principal amount of RMB700,000,000 by entering into a Perpetual Capital Instrument Agreement (the "Agreement") with an independent third party. The Perpetual Capital Instrument was issued for development of existing property development project in PRC.

Pursuant to the Agreement, the Perpetual Capital Instrument has no fixed maturity date and redeemable at the Subsidiary's option at its principal amount together with accrued, unpaid or deferred distribution payments. The distribution rate for the instruments are 9% per annum for the first and second year, then increase to 24% per annum for the third year and years after. If no distribution is paid in that year, the distribution rate will be adjusted by a 100% premium in the next year and so on. The distribution rate is capped at 24% per annum. The Perpetual Capital Instrument is jointly guaranteed by two subsidiaries of the Company, Pan Jun and Zeng Jie, Baby, the controlling shareholders of the Company, and a land use right owned by a wholly owned subsidiary of the Company.

The payments of distribution can be deferred at the discretion of the Subsidiary. While any distributions are unpaid or deferred, the Company and the Subsidiary cannot declare or pay dividends. Therefore, the Perpetual Capital Instruments are classified as equity instrument and presented as a part of equity in the consolidated statement of financial position.

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43. Acquisitions of Subsidiaries

(a) Acquisitions of assets and liabilities through acquisitions of subsidiaries

For the year ended 31 December 2014

- (i) On 6 January 2014, the Group acquired several property development projects through the acquisition of the entire equity interest and indebtedness due to former shareholder in Huizhou TCL from TCL Corporation and two other independent third parties at a consideration of approximately RMB1,905,053,000.

The consideration of RMB939,525,000 has been settled by the issuance of 863,600,074 ordinary shares in the Company to TCL Corporation, and the remaining consideration of RMB965,528,000 will be payable within 3 years.

- (ii) On 30 June 2014, the Group acquired a property development project through the acquisition of the 81% equity interest in Shenzhen Jindiying from an independent third party at a total cash consideration of approximately RMB250,000,000 included deposit amounting to RMB100,000,000 deposits for such acquisition has been paid in 2013.
- (iii) On 31 August 2014, the Group acquired a property development project through the acquisition of the 81% equity interest in Shenzhen Yonglihongying Investment Company Limited (深圳市永利鴻盈投資有限公司) from an independent third party at a cash consideration of approximately RMB646,555,000. As at 31 December 2014, the consideration of RMB260,490,000 has been settled and the remaining consideration of RMB385,705,000 will be payable within one year.
- (iv) On 30 June 2014, the Group disposed 51% equity interest in Chengdu Wangcong Property Development Company Limited (成都望叢房地產開發有限公司) (“Wangcong”), an indirectly wholly owned subsidiary of the Company, to an independent third party at a cash consideration of RMB182,580,000, which will be settled before 31 December 2014, resulting in loss of control upon completion of the transaction. Due to the financial difficulty of the independent third party, the consideration receivable cannot be settled and on 31 August 2014, the Group and the independent third party entered into a termination agreement pursuant to which the transaction for the disposal of 51% equity interest in Wangcong was terminated at a consideration of RMB182,580,000 and the deposit received had been returned to the independent third party. The Group regained the control of Wangcong. Wangcong is principally engaged in property development which holds properties under development in the PRC.
- (v) On 30 November 2014, the Group acquired a property development project through the acquisition of the 64% equity interest in Shenzhen Guozhengxiangqian Investment Development Company Limited (深圳市國正向前投資發展有限公司) from an independent third party at a cash consideration of approximately RMB21,120,000 which will be payable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(a) Acquisitions of assets and liabilities through acquisitions of subsidiaries (continued)

For the year ended 31 December 2014 (continued)

The above transactions are accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions are summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	14,186
Investment properties	165,932
Interest in a joint venture	10,007
Prepaid lease payments	621,159
Deposits paid for acquisition of land use rights	309,718
Deferred tax assets	9,282
Properties for sale	4,324,725
Trade and other receivables	217,430
Amounts due from certain subsidiaries of the Company to Wangcong	330,687
Tax recoverables	17,355
Bank balances and cash	220,644
Trade and other payables	(689,122)
Deposits received for sale of properties	(702,998)
Amounts due to certain subsidiaries of the Company	(427,507)
Amount due to a joint venture	(10,000)
Tax payables	(88,419)
Deferred tax liabilities	(19,611)
Borrowings	(1,084,084)
	3,219,744
Identifiable net assets attributable to:	
Interests in a joint venture	(174,465)
Non-controlling interests	(39,971)
	3,004,945
Total consideration satisfied by:	
Cash	410,490
Issue of shares as consideration of acquisition of subsidiaries	939,525
Deposit for acquisition of a subsidiary paid in 2013	100,000
Consideration receivables related to disposal of Wangcong to be waived upon termination (note 44(b))	182,580
Consideration payable to a non-controlling shareholder (note)	965,528
Consideration payable to independent third parties (note 34)	406,825
	3,004,948
Net cash outflow arising on acquisitions	
Cash consideration paid during the year	410,490
Bank balances and cash acquired	(220,644)
	189,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(a) Acquisitions of assets and liabilities through acquisitions of subsidiaries (continued)

For the year ended 31 December 2014 (continued)

Note: According to the sales and purchase agreements, the remaining unpaid consideration due to TCL Corporation is interest bearing at 10.58% per annum and to be settled by three instalments and the last instalment to be settled before 6 January 2017, the unpaid consideration payables are as follows:

	RMB'000
Consideration payables at date of acquisition	965,528
Interest expense for the year	141,099
	1,106,627
Repayable within one year	419,960
Repayable after one year	686,667
Classified as amount due to a non-controlling shareholder	1,106,627

For the year ended 31 December 2013

- (i) On 30 January 2013, the Group acquired a parcel of land through the acquisition of 60% equity interest in Shenzhen Tengxing Hongda Investment Development Co., Ltd. (深圳騰星宏達投資發展有限公司) (“Shenzhen Tengxing”) from an independent third party.

Pursuant to the agreement signed by the Group and the former equity holder of Shenzhen Tengxing, the Group was required to pay cash of approximately RMB47,900,000 for the acquisition. In addition, the Group agreed with the former equity holder of Shenzhen Tengxing that after the construction of property project is completed by the Group, the Group is required to transfer 5% of the completed property in this property project to the former equity holder of Shenzhen Tengxing. The Group is responsible for management and providing funding to finance this property project. In addition, the former equity holder of Shenzhen Tengxing Hongda Investment Development Co., Ltd (“Shenzhen Tengxing”) will not share any profit or loss of the property project.

Accordingly, the potential amount of the costs (including development expenditure and other attributable expenses of the construction of properties) to be incurred to complete for this 5% completed property to be delivered to the former equity holder of Shenzhen Tengxing is accounted for as a provision amounted to RMB29,591,000 in the consolidated statement of financial position as at 31 December 2013.

Against 40% equity interest in this background in Shenzhen Tentxing is not considered as non-controlling interest of the Group.

- (ii) On 9 May 2013, the Group acquired a completed investment property situated in Shanghai, the PRC through the acquisition of the entire registered capital of China Land Property Holdings Limited (中國地產集團有限公司) at a cash consideration of approximately RMB282,500,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(a) Acquisitions of assets and liabilities through acquisitions of subsidiaries (continued)

For the year ended 31 December 2013 (continued)

- (iii) On 22 May 2013, the Group acquired a parcel of land situated in Suzhou, the PRC which was under development through the acquisition of the entire equity interest in Suzhou Yin Zhuang Real Estate Company Limited (蘇州銀莊置地有限公司) from an independent third party at a cash consideration of approximately RMB511,959,000.
- (iv) On 26 June 2013, the Group acquired a parcel of land situated in Ningbo, the PRC which was under development through the acquisition of the entire equity interest in Huafeng at a cash consideration of approximately RMB602,902,000.
- (v) On 30 November 2013, the Group acquired the 10% equity interest in AFS through the acquisition of the entire equity interest in Charmful Limited of a cash consideration of approximately RMB38,923,000. The investee engages in property development in Nanjing, the PRC. As at 31 December 2014, the outstanding consideration of amounting to RMB19,461,000 is included in trade and other payables.
- (vi) On 25 December 2013, the Group acquired a parcel of land situated in Shenzhen, the PRC which was under development through the acquisition of the entire equity interest in Shenzhen Shengbaijing Investment Development Company Limited (深圳市生百景投資發展有限公司) at a cash consideration of approximately RMB68,000,000.
- (vii) On 30 November 2013, the Group acquired a parcel of land situated in Shenzhen, the PRC which was under development through the acquisition of the entire equity interest in Twinkle Electronic Company Limited (天歌電子有限公司) at a cash consideration of approximately RMB52,780,000.
- (viii) On 25 December 2013, the Group acquired a parcel of land situated in Shenzhen, the PRC which was under development through the acquisition of the entire equity interest in Shenzhen Zhongji Jade Property Development Company Limited (深圳市中稷玉石房地產開發有限公司) at a cash consideration of approximately RMB200,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(a) Acquisitions of assets and liabilities through acquisitions of subsidiaries (continued)

For the year ended 31 December 2013 (continued)

The above transactions are accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions is summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	55
Investment properties	604,528
Available-for-sale investment	38,910
Prepaid lease payments	7,228
Premium on prepaid lease payments	45,412
Deposit for acquisition of land use rights	217,073
Properties under development for sale	970,377
Other receivables	137,552
Bank balances and cash	7,112
Other payables	(118,574)
Tax payable	(2)
Deferred tax liabilities	(31,801)
	1,877,870
Identifiable net assets shared by non-controlling interests	(43,315)
	1,834,555
Total consideration satisfied by:	
Cash	1,785,503
Consideration payable due within one year included in trade and other payables (note)	19,461
Provision arisen of acquisition of Shenzhen Tengxing	29,591
	1,834,555
Net cash outflow arising on acquisitions	
Cash consideration paid during the year	1,785,503
Bank balances and cash acquired	(7,112)
	1,778,391

Note: In 2014, the consideration payable was settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses

For the year ended 31 December 2014

- (i) On 1 December 2014, the Group acquired the entire equity interest in Foshan Nanhai Julong Property Management Company Limited (佛山市南海鉅隆物業管理有限公司) (“Foshan Julong”) at a cash consideration of approximately RMB3,800,000. Foshan Julong was acquired so as to continue the expansion of the Group’s property management operation.
- (ii) On 1 July 2014, the Group acquired 80% equity interest in Shanghai Yinshun Property Management Company Limited (上海銀順物業管理有限公司) (“Shanghai Yinshun”) at a cash consideration of approximately RMB3,480,000. Shanghai Yinshun was acquired so as to continue the expansion of the Group’s property management operation.
- (iii) On 1 July 2014, the Group acquired 51% equity interest in Jiangsu Chengzhi Property Services Company Limited (江蘇城置物業服務有限公司) (“Jiangsu Chengzhi”) at a cash consideration of RMB1. Jiangsu Chengzhi was acquired so as to continue the expansion of the Group’s property management operation.
- (iv) On 1 July 2014, the Group acquired 68% equity interest in Yinchuan Dushijia Property Services Company Limited (銀川都市佳物業服務有限公司) (“Yinchuan Dushijia”) at a cash consideration of approximately RMB400,000. Yinchuan Dushijia was acquired so as to continue the expansion of the Group’s property management operation.
- (v) On 1 July 2014, the Group acquired 70% equity interest in Hubei Fenglin Property Services Company Limited (湖北楓林物業服務有限公司) (“Hubei Fenglin”) at a cash consideration of approximately RMB20,000,000. Hubei Fenglin was acquired so as to continue the expansion of the Group’s property management operation.
- (vi) On 31 August 2014, the Group acquired 70% equity interest in Hangzhou Gaosheng Property Management Company Limited (杭州高盛物業管理有限公司) (“Hangzhou Gaosheng”) at a cash consideration of approximately RMB16,880,000. Hangzhou Gaosheng was acquired so as to continue the expansion of the Group’s property management operation.
- (vii) On 1 July 2014, the Group acquired 80% equity interest in Henan Huajing Property Services Company Limited (河南華璟物業服務有限公司) (“Henan Huajing”) at a cash consideration of approximately RMB1,880,000. Henan Huajing was acquired so as to continue the expansion of the Group’s property management operation.
- (viii) On 1 September 2014, the Group acquired 70% equity interest in Yichang Kunda Property Company Limited (宜昌坤達物業有限公司) (“Yichang Kunda”) at a cash consideration of approximately RMB2,000,000. Yichang Kunda was acquired so as to continue the expansion of the Group’s property management operation.
- (ix) On 1 August 2014, the Group acquired 100% equity interest in Jiangxi Juan Property Management Company Limited (江西居安物業管理有限公司) (“Jiangxi Juan”) at a cash consideration of approximately RMB800,000. Nanchang Juan was acquired so as to continue the expansion of the Group’s property management operation.
- (x) On 1 August 2014, the Group acquired 87% equity interest in Nanjing Anju Property Company Limited (南京安居物業有限公司) (“Nanjing Anju”) at a cash consideration of approximately RMB15,000,000. Nanjing Anju was acquired so as to continue the expansion of the Group’s property management operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2014 (continued)

- (xi) On 1 June 2014, the Group acquired entire equity interest in Harbin Shenghengji Property Management Company Limited (哈爾濱盛恒基物業管理有限公司) (“Harbin Shenghengji”) at a cash consideration of approximately RMB500,000. Harbin Shenghengji was acquired so as to continue the expansion of the Group’s property management operation.
- (xii) On 1 September 2014, the Group acquired 70% equity interest in Jiujiang Tianhong Property Service Company Limited (九江天宏物業服務有限公司) (“Jiujiang Tianhong”) at a cash consideration of approximately RMB2,000,000. Jiujiang Tianhong was acquired so as to continue the expansion of the Group’s property management operation.
- (xiii) On 1 November 2014, the Group acquired 68% equity interest in Steadlink Asset Management PTE Ltd (“Steadlink”) at a cash consideration of approximately RMB5,865,000. Steadlink was acquired so as to continue the expansion of the Group’s property management operation.

Total consideration transferred

	RMB’000
Cash	53,133
Consideration payable due within one year included in trade and other payables (note 34)	19,472
	72,605

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the “administrative expenses” line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	RMB’000
Intangible assets	29,448
Property, plant and equipment	866
Trade and other receivables	26,104
Bank balances and cash	13,345
Trade and other payables	(37,213)
Amounts due to certain subsidiaries of the Company	(1,069)
Tax payable	(153)
Deferred tax liabilities	(7,362)
	23,966

The trade and other receivables acquired with a fair value of approximately RMB26,104,000 approximate its gross contractual amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2014 (continued)

Non-controlling interests

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to RMB6,012,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	72,605
Non-controlling interests	6,012
Less: fair value of net assets acquired	(23,966)
Goodwill arising on acquisition	54,651

Goodwill arose on the acquisition of subsidiaries because these acquisitions included the benefit of expected synergies and the future profitability as at acquisition date.

Intangible assets of RMB29,448,000 (2013: RMB1,813,000) in relation to the acquisition of subsidiaries under property management segment have been recognised by the Group.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	53,133
Less: bank balances and cash acquired	(13,345)
	39,788

For the year ended 31 December 2013

- (i) On 8 January 2013, the Group acquired 90% equity interest in Nanjing Mingcheng at a consideration of approximately RMB5,680,000. Nanjing Mingcheng was acquired so as to continue the expansion of the Group's property management operation.
- (ii) On 6 February 2013, the Group acquired the entire equity interest in Xiehe Golf at a consideration of approximately RMB159,993,000. Xiehe Golf is principally engaged in provision of golf course services and was acquired with the objective of entering into the market of golf course services.
- (iii) On 26 March 2013, the Group acquired 51% equity interest in Shaanxi Colour Life at a consideration of approximately RMB1. Shaanxi Colour Life was acquired so as to continue the expansion of the Group's property management operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2013 (continued)

- (iv) On 1 May 2013, the Group acquired 90% equity interest in Nanjing Huitao at a consideration of approximately RMB5,280,000. Nanjing Huitao was acquired so as to continue with the expansion of the Group's property management operation.
- (v) On 1 July 2013, the Group acquired 80% equity interest in Wuxi Taihu Garden at a consideration of approximately RMB3,200,000. Wuxi Taihu was acquired so as to continue with the expansion of the Group's property management operation.
- (vi) On 1 July 2013, the Group acquired 70% equity interest in Shanghai Xinzhou at a consideration of approximately RMB13,880,000. Shanghai Xinzhou was acquired so as to continue with the expansion of the Group's property management operation.
- (vii) On 1 July 2013, the Group acquired 90% equity interest in Nanjing Jinjiang at a consideration of approximately RMB9,880,000. Nanjing Jinjiang was acquired so as to continue with the expansion of the Group's property management operation.

Total consideration transferred

	RMB'000
Cash	197,913

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and recognised as an expense in the current year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	RMB'000
Property, plant and equipment	56,121
Prepaid lease payments	139,502
Intangible assets	1,813
Trade and other receivables	19,548
Bank balances and cash	9,010
Trade and other payables	(80,587)
Tax payables	(258)
Deferred tax liabilities	(453)
Borrowings	(447)
	144,249

The trade and other receivables acquired with a fair value of approximately RMB19,548,000 approximate its gross contractual amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2013 (continued)

Non-controlling interests

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to RMB9,115,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	197,913
Non-controlling interests	9,115
Less: fair value of net assets acquired	(144,249)
Goodwill arising on acquisition	62,779

Goodwill arose on the acquisition of subsidiaries because these acquisitions included the benefit of expected synergies and the future profitability as at acquisition date. These assets could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	197,913
Less: deposits paid in prior years	(5,680)
Less: bank balances and cash acquired	(9,010)
	183,223

44. Disposal of Subsidiaries

(a) Disposal of subsidiaries

For the year ended 31 December 2014

- (i) On 29 December 2014, the Group disposed of its 61% equity interest in Topsearch Printed Circuits (Shenzhen) Ltd (至卓飛高線路板(深圳)有限公司) ("Topsearch Printed Circuits") to an independent third party for a cash consideration of approximately RMB347,670,000. Topsearch Printed Circuits was engaged in property development which holds properties for sale in the PRC.
- (ii) On 8 December 2014, the Group disposed of its 54% equity interest in Shenzhen Tongzhinian Equity Investment Fund Company Limited (深圳市同之年股權投資基金有限公司) ("Tongzhinian Fund") to an independent third party for a cash consideration of approximately RMB7,775,000. Tongzhinian Fund was engaged in equity investment in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. Disposal of Subsidiaries (continued)

(a) Disposal of subsidiaries (continued)

For the year ended 31 December 2014 (continued)

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed in respect of the above transactions are summarised below:

	RMB'000
Consideration satisfied by:	
Cash	68,999
Consideration receivable within one year (note 30)	286,446
	355,445
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	6
Deferred tax assets	512
Properties for sale	341,047
Trade and other receivables	21,791
Bank balances and cash	14,546
Trade and other payables	(31,380)
Borrowings	(156,880)
Net assets disposed of	189,642
Gain on disposal of subsidiaries:	
Cash consideration	68,999
Consideration receivable (note 30)	286,446
Net assets disposed of	(189,642)
Non-controlling interests	57,904
Gain on disposal	223,707
Net cash inflow arising on disposal:	
Cash consideration	68,999
Bank balances and cash disposed of	(14,546)
	54,453

For the year ended 31 December 2013

- (i) On 30 November 2013, the Group disposed of its entire equity interest in China Land Property Holdings Limited (中國地產集團有限公司) ("China Land") to an independent third party for a consideration of approximately RMB405,000,000. China Land was engaged in provision of property investment.
- (ii) On 11 January 2013, the Group disposed of its entire equity interest in Shenzhen Caiyue Hotel Company Limited (深圳市彩悅酒店有限公司) ("Caiyue Hotel") to independent third parties for a consideration of approximately RMB2,000. Caiyue Hotel was engaged in provision of hotel services.
- (iii) On 13 March 2013, the Group disposed of its entire equity interest in Shenzhen Caiyue Hotel management Company Limited (深圳市彩悅酒店管理有限公司) ("Caiyue Hotel Management") to independent third parties for a consideration of approximately RMB2,000. Caiyue Hotel Management was engaged in provision of hotel services.
- (iv) On 16 July 2013, the Group disposed of its entire equity interests in Shenzhen Colour Life Qingjie Service Company Limited (深圳市彩虹清潔服務有限公司) ("Colour Life Qingjie") to an independent third party for a consideration of approximately RMB1,250,000. Colour Life Qingjie was engaged in provision of property operation services.
- (v) On 1 January 2013, the Group disposed of its 51% equity interests in Shenzhen Robert Housekeeper Properties Management Co., Limited (深圳市羅伯特管家物業管理有限公司) ("Shenzhen Robert") to an independent third party for a consideration of approximately RMB380,000. Shenzhen Robert was engaged in provision of property operation services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. Disposal of Subsidiaries (continued)

(a) Disposal of subsidiaries (continued)

For the year ended 31 December 2013 (continued)

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed in respect of the above transactions are summarised below:

	RMB'000
Consideration satisfied by:	
Cash	201,265
Consideration receivable within one year	205,369
	406,634
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	724
Investment properties	316,477
Trade and other receivables	1,608
Bank balances and cash	6,143
Other payables	(2,638)
Tax payable	(254)
Deferred tax liabilities	(32,345)
Net assets disposed of	289,715
Gain on disposal of subsidiaries:	
Cash consideration	201,265
Consideration receivable (note 30)	205,369
Net assets disposed of	(289,715)
Non-controlling interests	(275)
Gain on disposal	116,644
Net cash inflow arising on disposal:	
Cash consideration	201,265
Bank balances and cash disposed of	(6,143)
	195,122

The subsidiaries disposed of did not contribute significantly to the Group's cash flows, revenue and profit before tax during the year ended 31 December 2013.

(b) Disposal of partial interests in subsidiaries resulting in loss of control

For the year ended 31 December 2014

On 30 June 2014, the Group disposed of 51% equity interests in both Wangcong (as detailed in note 43(a)(iv)) and Huafeng, previous indirect wholly owned subsidiaries of the Company, to an independent third party resulting in lost control upon completion of the transactions. The remaining equity interests in Wangcong and Yinzhuan are classified as interests in joint ventures. The joint ventures are principally engaged in property development which holds properties under development in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. Disposal of Subsidiaries (continued)

(b) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2014 (continued)

These transactions were accounted for as disposal of partial interests in subsidiaries resulting in loss of control. Details are summarised below:

Assets and liabilities derecognised at dates of loss of control of the disposed subsidiaries are as follows:

	RMB'000
Property, plant and equipment	1,247
Deferred tax assets	14,035
Properties under development for sale	2,270,964
Trade and other receivables	43,013
Amounts due from certain subsidiaries of the Company to Wangcong (note)	419,945
Tax recoverable	17,633
Restricted bank deposits	22,707
Bank balances and cash	28,128
Trade and other payables	(98,906)
Amounts due to certain subsidiaries of the Company	(10,020)
Deposits received for sale of properties	(796,020)
Borrowings	(1,150,000)
	762,726
Less: retained equity interest held by the Group – classified as interests in joint ventures	(373,736)
	388,990
Satisfied by:	
Consideration receivables (note 30)	206,410
Consideration receivables upon termination of disposal transaction (note 43(a)(iv))	182,580
	388,990
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(28,128)

Note: Amount due from certain subsidiaries of the Company, which is shown as amounts due to joint ventures on the consolidated statement of financial position of the Group, is unsecured, interest-free and repayable on demand.

(c) Deemed disposal of partial interests in subsidiaries without loss of control

For the year ended 31 December 2014

- (i) During the year ended 31 December 2014, the Group disposed of its 49% equity interest in Guilin Wanhao Property Development Company Limited (桂林萬豪房地產開發有限公司) (“Wanhao”), which was held by the Group through a wholly owned subsidiary of the Company, to an independent third party, for a cash consideration of approximately RMB198,900,000. Wanhao was engaged in provision of property development.

The difference of RMB28,623,000 between the consideration received of RMB198,900,000 and the proportionate share of the subsidiary’s net assets by the non-controlling shareholder amounting to approximately RMB170,277,000 is credited to the special reserve of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. Disposal of Subsidiaries (continued)

(c) Deemed disposal of partial interests in subsidiaries without loss of control (continued)

For the year ended 31 December 2014 (continued)

- (ii) During the year ended 31 December 2014, the Group disposed of its 40% equity interest in Chengdu Fantasia Zhifu Property Development Company Limited (成都花樣年置富房地產開發有限公司) (“Zhifu”), which was held by the Group through a wholly owned subsidiary of the Company, to an independent third party, for a cash consideration of approximately RMB200,340,000. Zhifu was engaged in provision of property development.

The difference of RMB8,256,000 between the consideration received of RMB200,340,000 and the proportionate share of the subsidiary’s net assets by the non-controlling shareholder amounting to approximately RMB192,084,000 is credited to the special reserve of the Group.

	RMB'000
Satisfied by:	
Cash consideration received	36,990
Settlement in exchange for construction work (note 51)	200,000
Consideration receivables (note 30)	162,250
	399,240
Net cash inflow arising on deemed disposal:	
Cash consideration	36,990

For the year ended 31 December 2013

- (i) During the year ended 31 December 2013, the Group disposed of its 45% equity interests in TCL King Electronics (Shenzhen) Company Limited (TCL王牌電子(深圳)有限公司) (“TCL”), which was held by the Group through a 54% owned subsidiary of the Company, to Xinjiang Tongzhinian, a joint venture of the Group, for a cash consideration of approximately RMB193,500,000. TCL was engaged in provision of property development.

The difference of RMB65,087,000 between the consideration received of RMB193,500,000 and the proportionate share of the subsidiary’s net assets by the non-controlling shareholder amounting to RMB128,413,000 is credited to the special reserve of the Group.

- (ii) During the year ended 31 December 2013, a subsidiary of the Group issued new shares to the non-controlling shareholders, the difference of RMB34,056,000, between the consideration received of RMB37,064,000 and the proportionate share of the subsidiary’s net assets by the non-controlling shareholder amounting to RMB3,008,000 is credited to the special reserve of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

45. Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	7,997	8,014
In the second to the fifth year inclusive	6,280	13,364
	14,277	21,378

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for an average term of 1 to 5 years with fixed rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 RMB'000	2013 RMB'000
Within one year	123,237	106,230
In the second to the fifth year inclusive	328,331	261,625
After the fifth year	77,661	146,228
	529,229	514,083

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 18 years with fixed rentals.

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For the year ended 31 December 2014

46. Other Commitments

	2014 RMB'000	2013 RMB'000
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	4,307,410	4,732,040
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	138,089	31,881
	2014	2013
Consideration committed in respect of capital expenditure	134,532	11,620
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	21,335	–
Consideration committed in respect of acquisition of subsidiaries authorised but not yet contracted	241,936	–

47. Share Option Scheme

47.1 The Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"), and will expire on 28 August 2021 and 15 October 2022. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK\$1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

As at 31 December 2014, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 108,990,000 (2013: 116,230,000) of HK\$0.1 each, representing approximately 2.0% (2013: 2.4%) of the issued share capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

47. Share Option Scheme (continued)

47.1 The Company (continued)

Details of the share options granted under the Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 August 2011	HK\$0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	HK\$0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022
Employees	29 August 2011	HK\$0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	HK\$0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2014 and 2013:

Category of Grantees	Date of grant	Vesting period	Outstanding at		Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December		Reclassification due to change			Outstanding at 31 December 2014
			1 January 2013	31 December 2013				31 December 2013	31 December 2013	of positions of Directors and employees	Cancelled/ lapsed during the year	Exercised during the year	
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors	29 August 2011	29.8.2011–28.8.2012	1,318,000	–	–	–	1,318,000	–	381,000	(80,000)	–	1,619,000	
		29.8.2011–28.8.2013	2,636,000	–	–	–	2,636,000	–	1,143,000	(240,000)	–	3,539,000	
		29.8.2011–28.8.2014	9,226,000	–	–	–	9,226,000	–	2,286,000	(480,000)	–	11,032,000	
	16 October 2012	16.10.2013–15.10.2013	1,595,000	–	–	–	1,595,000	–	277,000	(80,000)	–	1,792,000	
		16.10.2013–15.10.2014	3,190,000	–	–	–	3,190,000	–	831,000	(240,000)	–	3,781,000	
	16.10.2013–15.10.2015	11,165,000	–	–	–	11,165,000	–	1,662,000	(480,000)	–	12,347,000		
			29,130,000	–	–	–	29,130,000	–	6,580,000	(1,600,000)	–	34,110,000	
Employees	29 August 2011	29.8.2011–28.8.2012	4,181,000	–	(88,000)	–	4,093,000	–	(381,000)	(267,000)	(9,000)	3,436,000	
		29.8.2011–28.8.2013	8,363,000	–	(176,000)	–	8,186,000	–	(1,143,000)	(454,000)	(18,000)	6,571,000	
		29.8.2011–28.8.2014	29,267,000	–	(616,000)	–	28,651,000	–	(2,286,000)	(1,949,000)	(63,000)	24,353,000	
	16 October 2012	16.10.2013–15.10.2013	4,846,000	–	(229,000)	–	4,617,000	–	(277,000)	(285,000)	(3,000)	4,052,000	
		16.10.2013–15.10.2014	9,692,000	–	(458,000)	–	9,234,000	–	(831,000)	(489,000)	(7,000)	7,907,000	
	16.10.2013–15.10.2015	33,922,000	–	(1,603,000)	–	32,319,000	–	(1,662,000)	(2,072,000)	(24,000)	28,561,000		
			90,270,000	–	(3,170,000)	–	87,100,000	–	(6,580,000)	(5,516,000)	(124,000)	74,880,000	
Total			119,400,000	–	(3,170,000)	–	116,230,000	–	–	(7,116,000)	(124,000)	108,990,000	
Exercisable at the end of the year							22,445,000					68,082,000	

Note: Wang Liang (王亮) was appointed as an executive director of the Company on 6 January 2014 (disclosed in note 12) so that the share options granted to Wang Liang in prior years are classified into category of directors in 2014.

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For the year ended 31 December 2014

47. Share Option Scheme (continued)

47.1 The Company (continued)

The closing price of the shares on the date of grant was HK\$0.77 at 16 October 2012. Binomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	16 October 2012
Market price	HK\$0.77
Exercise price	HK\$0.80
Expected volatility	44.87%
Risk-free rate	0.66%
Expected dividend yield	5.195%

The Group recognised the total expense of approximately RMB3,353,000 for the year ended 31 December 2014 (2013: RMB8,756,000) in relation to share options granted by the Company.

47.2 Colour Life

A subsidiary of the Company, Colour Life, operates a share option scheme (the "Colour Life's Scheme"). The Colour Life's Scheme was adopted pursuant to a resolution passed on 29 September 2014 for the primary purposes of providing incentives to certain directors and employees of the Colour Life and its subsidiaries ("Eligible Employees"), and will expire on 28 September 2024. Under the Colour Life's Scheme, the Board of Directors of Colour Life is authorised to grant options at a consideration of HK\$1 per option to the Eligible Employees to subscribe for shares of Colour Life ("Colour Life's Shares").

The maximum number of Colour Life's Shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of Colour Life shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Colour Life in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Colour Life's share capital or with a value in excess of HK\$5 million must be approved in advance by Colour Life's shareholders.

The exercisable period of an option is determined by the directors of Colour Life at their discretion. The expiry date of Colour Life's Options may be determined by the Board of Directors of the Colour Life which shall not be later than the expiry day of Colour Life's Scheme.

The exercise price is determined by the directors of Colour Life, and will not be less than the greater of: (i) the closing price of Colour Life on the offer date; (ii) the average of the closing price of Colour Life's shares for the five trading days immediately preceding the offer of Colour Life's options and (iii) the nominal value per share of Colour Life.

As at 31 December 2014, the total number of Colour Life's shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 45,000,000 (2013: nil) of HK\$0.1 each, representing approximately 4.5% (2013: nil) of the issued share capital of Colour Life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

47. Share Option Scheme (continued)

47.2 Colour Life (continued)

Details of the share options granted under Colour Life's Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 September 2014	HK\$6.66	N/A	29/9/2014–28/9/2024
			29/9/2014–28/9/2015	29/9/2015–28/9/2024
			29/9/2014–28/9/2016	29/9/2016–28/9/2024
			29/9/2014–28/9/2017	29/9/2017–28/9/2024
Employees	29 September 2014	HK\$6.66	N/A	29/9/2014–28/9/2024
			29/9/2014–28/9/2015	29/9/2015–28/9/2024
			29/9/2014–28/9/2016	29/9/2016–28/9/2024
			29/9/2014–28/9/2017	29/9/2017–28/9/2024

The following table discloses movements of Colour Life's share options held by employees and directors during the year ended 31 December 2014:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2014 RMB'000	Granted during the year RMB'000	Cancelled/lapsed during the year RMB'000	Exercised during the year RMB'000	Outstanding at 31 December 2014 RMB'000
Directors	29 September 2014	N/A	–	560	–	–	560
		29.9.2014–28.9.2015	–	1,270	–	–	1,270
		29.9.2014–28.9.2016	–	1,270	–	–	1,270
		29.9.2014–28.9.2017	–	711	–	–	711
			–	3,811	–	–	3,811
Employees	29 September 2014	N/A	–	6,107	–	–	6,107
		29.9.2014–28.9.2015	–	13,730	–	–	13,730
		29.9.2014–28.9.2016	–	13,730	–	–	13,730
		29.9.2014–28.9.2017	–	7,622	–	–	7,622
			–	41,189	–	–	41,189
Total			–	45,000	–	–	45,000
Exercisable at the end of the year							45,000
							6,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

47. Share Option Scheme (continued)

47.2 Colour Life (continued)

The closing price of Colour Life's shares on the date of grant was HK\$6.66 at 29 September 2014. Binomial Option Pricing Model had been used to estimate the fair value of Colour Life's options. The variables and assumptions used in computing the fair value of the share options are based on Colour Life's best estimate. The value of an Colour Life's option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	29 September 2014
Market price and Exercise price	HK\$6.66
Expected volatility	48.82%
Risk-free rate	2.01%
Expected dividend yield	0.00%

During the year ended 31 December 2014, the estimated fair value of Colour Life's options at the date of grant was approximately RMB145,528,000. The Group recognised the total expense of approximately RMB29,780,000 for the year ended 31 December 2014 (2013: RMB nil) in relation to share options granted by Colour Life.

48. Retirement Benefits Plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes lower of 5% of relevant payroll costs or HK\$1,250 per person per month to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

49. Contingent Liabilities

	2014 RMB'000	2013 RMB'000
(i) Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	4,778,135	3,162,990

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

	2014 RMB'000	2013 RMB'000
(ii) Financial guarantees given to a bank for the banking facilities granted to a joint venture, Novena	518,925	535,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

50. Related Party Disclosures

- (a) During the year, in addition to those disclosed in elsewhere at the consolidated financial statements, the Group had significant transactions with related parties as follows:

Related parties	Relationship	Transactions	2014 RMB'000	2013 RMB'000
惠東縣大亞灣三角洲俱樂部有限公司 Huidong Dayawan San Jiao Zhou Company Limited	Company controlled by Ms. Zeng Jie, Baby, a controlling shareholder and director of the Company	Management service fee recognised	–	95
Cube Architecture	An associate of Shenzhen Tianguo Investment Development Company Limited (深圳市天闊投資發展有限公司), a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Design services fee incurred	1,740	2,118

- (b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year is as follows:

	2014 RMB'000	2013 RMB'000
Short-term benefits	67,875	54,426
Post-employment benefits	9,214	8,102
Share-based payments	2,536	5,639
	79,625	68,167

- (c) **Related party balance**

Amount due from a director

Particular of amount due from a director is as follows:

	2014 RMB'000	2013 RMB'000
Name of director		
Mr. Pan Jun	–	–

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For the year ended 31 December 2014

50. Related Party Disclosures (continued)

(c) Related party balances (continued) *Amounts due from directors* (continued)

	2014 RMB'000	2013 RMB'000
Name of director		
Mr. Pan Jun	–	1,400

The balance is unsecured, interest-free and repayable on demand. The amount due from a director during 31 December 2013 has been fully settled by the director in November 2013.

(d) Others

As at 31 December 2014, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB59,640,000 (2013: RMB53,552,000) in aggregate.

During the year ended 31 December 2014, the Group had sold certain properties to its key management personnels (not including the directors of the Company) of the Group, at a cash consideration of approximately RMB3,005,000 (2013: RMB10,803,000).

51. Major Non-Cash Transactions

- (a) During the year ended 31 December 2014, the Group entered into a sale and purchase agreement with a contractor for the sale of properties amounting to approximately RMB282,949,000 (2013: RMB280,000,000) in exchange for the construction work provided by the contractor equivalent to approximately RMB282,949,000 (2013: RMB280,000,000).
- (b) During the year ended 31 December 2014, the Group acquired Huizhou TCL from TCL Corporation (as detailed in note 43(a)). The consideration of RMB939,525,000 has been settled by the issuance of 863,600,074 ordinary shares in the Company to TCL Corporation.
- (c) During the year ended 31 December 2014, the Group entered into a settlement agreement with acquirer of equity interests in Wanhao and Zhifu (as detailed in note 44(c)) and a contractor for the settlement of consideration receivables of RMB200,000,000 in exchange for the construction work provided by the contractor equivalent to RMB200,000,000.

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52. Particulars of Principal Subsidiaries of the Company

52.1 General Information of subsidiaries

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
Winning Sky International Limited ^Δ	The BVI 8 March 2006	US\$100	100%	100%	Investment holding	Private limited liability
Fantastic Victory Limited ^Δ	The BVI 3 September 2007	US\$100	100%	100%	Investment holding	Private limited liability
Wisdom Regal Limited ^Δ	The BVI 3 September 2007	US\$100	100%	100%	Investment holding	Private limited liability
Colour Life Services Group Co., Ltd (“Colour Life”) ^Δ	The Cayman Islands 16 March 2011	HK\$100,000,000	50%	67%	Investment holding	Private limited liability
Ace Link Pacific Limited [‡]	The BVI 3 September 2007	US\$100	100%	100%	Investment holding	Private limited liability
Fantasia Hotel Management Group Company Limited ^Δ	The BVI 17 June 2009	US\$1	100%	100%	Investment holding	Private limited liability
Talent Bright International Limited ^Δ	The BVI 17 June 2009	US\$1	100%	100%	Investment holding	Private limited liability
香港花樣年投資控股集團有限公司 Fantasia Investment Holdings Company Limited (“Fantasia Investment Holdings”)	Hong Kong 19 February 2001	HK\$10,000	100%	100%	Investment holding	Private limited liability
悅泰投資有限公司 Joytime Investment Limited	Hong Kong 6 November 2007	HK\$10,000	100%	100%	Investment holding	Private limited liability
金展集團有限公司 Gold Genius Holdings Limited [†]	Hong Kong 8 November 2007	HK\$10,000	100%	100%	Investment holding	Private limited liability
花樣年酒店管理(國際)有限公司 Fantasia Hotel Management (International) Company Limited	Hong Kong 15 July 2009	HK\$1	100%	100%	Investment holding	Private limited liability
花樣年物業管理(國際)有限公司 Fantasia Property Management (International) Company Limited	Hong Kong 15 July 2009	HK\$1	100%	100%	Investment holding	Private limited liability

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52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
香港康年貿易有限公司 Hong Kong Kangnian Trading Company Limited	Hong Kong 24 September 2009	US\$500,000	100%	100%	Trading and investment holding	Private limited liability
花樣年集團(中國)有限公司 Fantasia Group (China) Company Limited*	The PRC 20 January 2006	RMB1,624,843,500	100%	100%	Investment holding and property development	Limited liability company
天津松江花樣年置業有限公司 Tianjin Songjiang Fantasia Real Estate Company Limited* ("Tianjin Songjiang")	The PRC 29 May 2006	RMB50,000,000	60%	60%	Property development	Limited liability company
深圳市花樣年地產集團有限公司 Shenzhen Fantasia Real Estate Group Limited* ("Shenzhen Fantasia")	The PRC 28 September 1996	RMB150,000,000	100%	100%	Investment holding, property development and investment	Limited liability company
深圳市彩生活服務集團有限公司 Shenzhen Fantasia Colour Life Service Group Limited*#	The PRC 25 August 2006	RMB15,000,000	100%	100%	Investment holding	Limited liability company
惠州大亞灣花萬裏實業有限公司 Huizhou Daya Bay Huawanli Industry Company Limited*	The PRC 8 June 2007	RMB51,000,000	100%	100%	Property development	Limited liability company
天津市花樣年投資有限公司 Tianjin Fantasia Investment Company Limited*	The PRC 12 June 2006	RMB100,000,000	100%	100%	Property development	Limited liability company
成都市花樣年房地產開發有限公司 Chengdu Fantasia Real Estate Company Limited*	The PRC 18 October 2001	RMB75,610,000	100%	100%	Property development and investment	Limited liability company
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Company Limited*	The PRC 28 August 2006	RMB660,339,487	100%	100%	Investment holding	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Company Limited*	The PRC 1 July 1994	RMB946,843,500	100%	100%	Property development and investment	Limited liability company
深圳宏威裝飾設計工程有限公司 Shenzhen Hongwei Decoration & Designing Company Limited*	The PRC 25 May 1994	RMB10,000,000	100%	100%	Provision of interior design services	Limited liability company
深圳市花樣年物業管理有限公司 Shenzhen Fantasia Property Management Company Limited**	The PRC 11 December 2000	RMB5,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Company Limited**	The PRC 12 June 2007	RMB10,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited**	The PRC 15 November 2001	RMB5,000,000	100%	100%	Provision of security system design, installation and maintenance services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liantang Property Management Company Limited*	The PRC 16 November 1999	RMB5,500,000	100%	100%	Provision of property operation services	Limited liability company
花樣年實業發展(成都)有限公司 Fantasia (Chengdu) Development Company Limited*	The PRC 4 July 2001	RMB50,000,000	100%	100%	Property development and investment	Limited liability company
花樣年(成都)生態旅遊開發 有限公司 Fantasia (Chengdu) Ecological Tourism Development Company Limited*	The PRC 7 September 2006	RMB1,344,970,000	100%	100%	Property development	Limited liability company
成都花萬裏置業有限公司 Chengdu Huawanli Real Estate Company Limited*	The PRC 25 October 2005	RMB100,000,000	100%	100%	Property development and investment	Limited liability company

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52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Company Limited*	The PRC 6 November 2006	RMB704,680,000	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Company Limited*	The PRC 22 May 2003	RMB270,000,000	100%	100%	Property development	Limited liability company
東莞市花樣年房地產投資有限公司 Dongguan Fantasia Real Estate Investment Company Limited*	The PRC 4 December 2006	RMB30,000,000	100%	100%	Property development	Limited liability company
雅浩科技發展(深圳)有限公司 Yahao Technology Development (Shenzhen) Company Limited**	The PRC 25 August 2005	HKD1,000,000	100%	100%	Investment holding	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited*	The PRC 9 February 2007	RMB100,000,000	100%	100%	Property development and investment	Limited liability company
四川西美投資有限公司 Sichuan Ximei Investment Company Limited*	The PRC 7 June 2004	RMB670,000,000	100%	100%	Property development	Limited liability company
天津福大房地產銷售有限公司 Tianjin Fuda Real Estate Development Company Limited*	The PRC 18 October 2004	RMB45,000,000	100%	100%	Property development	Limited liability company
宜興市江南水鄉度假村有限公司 Yixing Jiangnan Shuixiang Tourism Resort Company Limited* ("Yixing Jiangnan")	The PRC 19 April 2005	RMB28,000,000	80%	80%	Property development	Limited liability company
深圳市星彥行置業有限公司 Shenzhen Xingyanhang Property Company Limited**	The PRC 23 April 2007	RMB4,000,000	93%	93%	Provision of agency services	Limited liability company
成都新津友幫房地產開發有限責任公司 Chengdu Xinjin Youbang Real Estate Development Company Limited*	The PRC 9 May 2004	RMB85,000,000	100%	100%	Property development	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Company Limited*	The PRC 6 August 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Development Limited*	The PRC 22 August 2007	RMB320,000,000	100%	100%	Property development	Limited liability company
深圳花樣年商業管理有限公司 Shenzhen Fantasia Business Management Company Limited*	The PRC 3 June 2009	RMB120,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市花樣年酒店管理有限公司 Shenzhen Fantasia Hotel Management Company Limited*	The PRC 3 June 2009	RMB100,000,000	100%	100%	Hotel services	Limited liability company
寧夏回族自治區新聖基建築工程有限公司 Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited*	The PRC 22 July 2009	RMB50,000,000	100%	100%	Provision of construction services	Limited liability company
深圳市花樣年房地產開發有限公司 Shenzhen Fantasia Real Estate Company Limited*	The PRC 20 April 2006	RMB150,000,000	100%	100%	Property development	Limited liability company
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Company Limited.*	The PRC 14 August 2012	RMB100,000,000	100%	100%	Property development	Limited liability company
花千里投資(北京)有限公司 Huaqianli Investment (Beijing) Company Limited.*	The PRC 15 March 2012	RMB10,000,000	100%	100%	Investment holding	Limited liability company
蘇州花萬裡房地產開發有限公司 Suzhou Huawanli Real Estate Company Limited*	The PRC 9 September 2009	RMB180,000,000	100%	100%	Property development	Limited liability company
蘇州林甲岩房產發展有限公司 Suzhou LKN Real Estate Company Limited*	The PRC 5 July 1994	RMB180,599,652	100%	100%	Property development	Limited liability company

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For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
深圳市匯港物業管理有限公司 Shenzhen Hui Gang Property Management Company Limited*#	The PRC 12 April 2002	RMB3,000,000	75%	75%	Provision of property operation services	Limited liability company
成都市花樣年物業服務有限公司 Chengdu Fantasia Property Service Company Limited*	The PRC 23 December 2009	RMB5,000,000	100%	100%	Provision of property operation services	Limited liability company
東莞花千里房地產開發有限公司 Dongguan Huaqianli Property Development Company Limited*	The PRC 30 April 2012	RMB30,000,000	100%	100%	Property development	Limited liability company
深圳高華投資有限公司 Shenzhen Gaohua Investment Limited*	The PRC 12 March 2012	RMB200,000,000	100%	100%	Investment holding, property development and investment	Limited liability company
成都市諾亞舟實業有限公司 Chengdu Nuoyazhou Development Company Limited*	The PRC 17 June 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
江蘇東發置業有限公司 Jiangsu Dongfa Real Estate Company Limited*	The PRC 2 March 2009	RMB20,000,000	100%	100%	Property development	Limited liability company
桂林萬豪房地產開發有限公司 Guilin Wanhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	51%	100%	Property development	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	100%	Property development	Limited liability company
成都花港置業有限公司 Chendu Huagang Real Estate Company Limited*	The PRC 14 April 2013	RMB200,000,000	100%	100%	Property development	Limited liability company
TCL王牌電子(深圳)有限公司 TCL King Electronics (Shenzhen) Company Limited*	The PRC 9 October 1981	HKD100,000,000	100%	55%	Property development	Limited liability company

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For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
惠州市友鄰物業管理有限公司 Huizhou Youling Property Management Company Limited**	The PRC 13 June 2008	RMB500,000	100%	100%	Provision of property operation services	Limited liability company
天津新塘物業管理有限公司 Tianjin Xintang Property Management Company Limited*	The PRC 21 May 2007	RMB500,000	100%	100%	Provision of property operation services	Limited liability company
Fantasia Investment (Singapore) Pte. Ltd	Singapore 28 September 2012	SGD1,000,000	100%	100%	Property development	Private limited liability
深圳市同之年股權投資基金管理 有限公司 Shenzhen Tongzhiinian Equity Investment Fund Management Company Limited*	The PRC 20 August 2012	RMB10,000,000	–	54%	Investment holding	Limited liability company
深圳市花樣年股權投資基金管理 有限公司 Shenzhen Fantasia Equity Investment Fund Management Company Limited*	The PRC 15 May 2012	RMB10,000,000	100%	100%	Investment holding	Limited liability company
惠州市花樣年房地產開發有限公司 Huizhou Fantasia Property Development Company Limited*	The PRC 23 March 2012	RMB1,000,000	100%	100%	Property development	Limited liability company
鐵嶺正南物業管理有限公司 Tieling Zhengnan Property Management Company Limited**	The PRC 18 March 2008	RMB500,000	51%	51%	Provision of property operation services	Limited liability company
南京花樣年物業管理有限公司 Nanjing Fantasia Property Management Company Limited**	The PRC 29 June 2000	RMB5,000,000	100%	100%	Provision of property operation services	Limited liability company
陝西中強物業管理有限公司 Shaanxi Zhongqiang Property Management Company Limited**	The PRC 8 September 2003	RMB3,000,000	100%	100%	Provision of property operation services	Limited liability company
河源市華達物業管理有限公司 Heyuan Huada Property Management Company Limited**	The PRC 12 June 2002	RMB3,000,000	100%	100%	Provision of property operation services	Limited liability company

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For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
秦皇島市宏添源物業服務有限公司 Qinhuangdao Hongtianyuan Property Service Company Limited**	The PRC 25 October 2005	RMB5,000,000	51%	51%	Provision of property operation services	Limited liability company
至卓飛高線路板(深圳)有限公司 Topsearch Printed Circuits (Shenzhen) Ltd* ("Topsearch Printed Circuits")	The PRC 25 September 1987	RMB391,093,510	–	61%	Property development	Limited liability company
花萬裡投資(北京)有限公司 Huawanli Investment (Beijing) Company Limited*	The PRC 13 September 2012	RMB779,150,000	100%	100%	Property development	Limited liability company
深圳市花萬裡酒店管理有限公司 Shenzhen Huawanli Hotel Management Company Limited*	The PRC 23 October 2013	RMB1,000,000	100%	100%	Hotel management	Limited liability company
深圳市花樣年養生養老管理有限公司 Shenzhen Fantasia Senior Housing Management Company Limited*	The PRC 23 October 2013	RMB1,000,000	100%	100%	Investment holding	Limited liability company
深圳市花樣年文化旅遊管理有限公司 Shenzhen Fantasia Culture Tourism Management Company Limited*	The PRC 15 October 2013	RMB1,000,000	100%	100%	Investment holding	Limited liability company
深圳市花萬裡商業管理有限公司 Shenzhen Huawanli Commercial Management Company Limited*	The PRC 15 October 2014	RMB1,000,000	100%	100%	Investment holding	Limited liability company
大理市花千里文化旅遊開發有限公司 Dali Huaqianli Cultural Tourism Development Company Limited*	The PRC 4 July 2013	RMB100,000,000	100%	100%	Investment holding	Limited liability company
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Company Limited*	The PRC 28 June 2013	RMB394,400,000	60%	100%	Property development	Limited liability company
蘇州銀莊置地有限公司 Suzhou Yinzhuang Real Estate Company Limited*	The PRC 25 January 2006	RMB500,000,000	100%	100%	Property development	Limited liability company

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For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
深圳市騰星宏達投資發展有限公司 Shenzhen Tengxing Hongda Investment Company Limited*	The PRC 26 September 2012	RMB95,800,000	60%	60%	Property development	Limited liability company
深圳市越華創新科技工業城 有限公司 Shenzhen Yuehua New Technology Industry Company Limited*	The PRC 15 September 2004	RMB62,500,000	100%	100%	Property development	Limited liability company
深圳市生百景投資發展有限公司 Shenzhen Shengbaijing Investment Development Company Limited*	The PRC 20 June 2012	RMB78,000,000	100%	100%	Property development	Limited liability company
深圳市花樣祥投資發展有限公司 Shenzhen Huayangxiang Investment Development Company Limited*	The PRC 22 May 2013	RMB10,000,000	100%	100%	Property development	Limited liability company
天歌電子有限公司 Twinkle Electronic Company Limited	Hong Kong 20 August 1992	RMB7,268	100%	100%	Property development	Limited liability company
深圳安博電子有限公司 Shenzhen Anbo Electronic Company Limited*	The PRC 17 August 1994	RMB87,000,000	100%	100%	Property development	Limited liability company
Charmfull Limited	The BVI 1 August 2012	USD 1	100%	100%	Investment holding	Limited liability company
Bright Star Creation Limited	Hong Kong 28 July 2010	HKD 100	100%	100%	Investment holding	Limited liability company
深圳市中稷玉石房地產開發 有限公司 Shenzhen Zhongji Jade Property Development Company Limited*	The PRC 17 November 2006	RMB10,000,000	100%	100%	Property development	Limited liability company
南京名城物業管理有限公司 Nanjing Mingcheng Property Management Company Limited*	The PRC 30 May 2005	RMB5,000,000	90%	90%	Provision of property operation services	Limited liability company
協和高爾夫(上海)有限公司 Xiehe Golf (Shanghai) Company Limited*	The PRC 27 December 1994	RMB85,328,000	100%	100%	Golf course services	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
陝西彩生活社區服務有限公司 Shanxi Caishenghuo Community Services Company Limited**	The PRC 25 March 2009	RMB3,000,000	51%	51%	Provision of property operation services	Limited liability company
南京慧籍物業管理服務有限公司 Nanjing Huitao Property Management Services Company Limited*	The PRC 29 September 2006	RMB5,000,000	90%	90%	Provision of property operation services	Limited liability company
無錫市太湖花園物業管理有限責任公司 Wuxi Taihu Garden Property Management Company Limited*	The PRC 8 September 1997	RMB3,000,000	80%	80%	Provision of property operation services	Limited liability company
上海欣周物業管理有限公司 Shanghai Xinzhou Property Management Company Limited**	The PRC 21 September 1999	RMB3,000,000	70%	70%	Provision of property operation services	Limited liability company
南京錦江物業管理有限公司 Nanjing Jinjiang Property Management Company Limited**	The PRC 26 June 2001	RMB5,000,000	90%	90%	Provision of property operation services	Limited liability company
深圳市金地盈投資有限公司 Shenzhen Jindiying Investment Company Limited**	The PRC 23 August 2005	RMB10,000,000	81%	–	Property development	Limited liability company
深圳市永利鴻盈投資有限公司 Shenzhen Yonglihongying Investment Company Limited**	The PRC 23 August 2005	RMB10,000,000	81%	–	Property development	Limited liability company
惠州TCL房地產開發有限公司 Huizhou TCL Property Development Company Limited**	The PRC 29 December 2004	RMB100,000,000	100%	–	Property development	Limited liability company
寧波世紀華豐房產有限公司 Ningbo Century Huafeng Property Company Limited*	The PRC 25 March 2010	RMB427,500,000	49%	100%	Property development	Limited liability company
深圳市國正向前投資發展有限公司 Shenzhen Guozhengxiangqian Investment Development Company Limited**	The PRC 9 November 2011	RMB33,000,000	64%	–	Property development	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
成都花樣年置富房地產開發有限公司 Chengdu Fantasia Zhifu Property Development Company Limited*	The PRC 13 March 2013	RMB500,000,000	60%	100%	Property development	Limited liability company
佛山市南海鉅隆物業管理有限公司 Foshan Julong Property Management Company Limited**	The PRC 9 September 2005	RMB5,010,000	100%	–	Provision of property operation services	Limited liability company
南京安居物業有限公司 Nanjing Anju Property Management Company Limited**	The PRC 28 April 2004	RMB5,000,000	87%	–	Provision of property operation services	Limited liability company
九江天巨集物業服務有限公司 Jiujiang Tianhong Property Services Company Limited**	The PRC 1 March 2007	RMB5,000,000	70%	–	Provision of property operation services	Limited liability company
杭州高盛物業管理有限公司 Hangzhou Gaosheng Property Management Company Limited**	The PRC 24 April 1998	RMB6,000,000	70%	–	Provision of property operation services	Limited liability company
宜昌坤達物業有限公司 Yichang Kunda Property Management Company Limited**	The PRC 30 June 1998	RMB3,000,000	70%	–	Provision of property operation services	Limited liability company
江西居安物業管理有限公司 Jiangxi Property Management Company Limited**	The PRC 29 March 2012	RMB1,010,000	100%	–	Provision of property operation services	Limited liability company
上海銀順物業管理有限公司 Shanghai Yinshun Property Management Company Limited**	The PRC 20 August 2002	RMB5,000,000	80%	–	Provision of property operation services	Limited liability company
江蘇城置物業服務有限公司 Jiangsu Chengzhi Property Management Company Limited**	The PRC 11 March 2008	RMB8,500,000	51%	–	Provision of property operation services	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2014	2013		
哈爾濱盛恒基物業管理有限公司 Harbin Shenghengji Property Management Company Limited**	The PRC 9 December 2005	RMB3,000,000	100%	–	Provision of property operation services	Limited liability company
河南華環物業服務有限公司 Hernan Huajing Property Management Company Limited**	The PRC 13 August 2009	RMB3,000,000	80%	–	Provision of property operation services	Limited liability company
湖北楓林物業服務有限公司 Hubei Fenglin Property Management Company Limited**	The PRC 9 May 2005	RMB5,000,000	70%	–	Provision of property operation services	Limited liability company
Steadlink Asset Management PTE, LTD [#]	The PRC 14 March 2006	RMB239,849	68%	–	Provision of property operation services	Limited liability company
銀川都市佳物業管理有限公司 Yinchuan Dushijia Property Management Company Limited**	The PRC 10 January 2005	RMB500,000	68%	–	Provision of property operation services	Limited liability company

* The English name is for identification purpose only.

These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Lifeat as at 31 December 2014 and 2013.

^ These subsidiaries were acquired during the year ended 31 December 2014. Details are set out in note 43.

Δ Except for these subsidiaries were directly held by the Company, all other subsidiaries are indirectly owned by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.2 Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follow:

Principal activities	Principal place of business	Number of subsidiaries	
		2014	2013
Investment holding	BVI	20	20
	Hong Kong	12	12
	PRC	12	12
	USA	1	–
	Singapore	1	1
Property development	PRC	23	15
Property investment	PRC	1	1
	Japan	1	1
Property agency services	PRC	1	1
Property operation services	PRC	10	8
Hotel operations	PRC	5	5
	USA	1	–
		88	76

52.3 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2014 and 2013 that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		(Loss) profit attributable to non-controlling interest		Accumulated non-controlling interests	
		2014	2013	2014		2013	
				RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Songjiang	The PRC	40%	40%	(10,498)	(10,158)	72,572	59,092
Chengdu Zhifu	The PRC	40%	–	(5,259)	–	192,746	–
Guilin Wanhao	The PRC	49%	–	(1,754)	–	117,264	–
Shenzhen Anbo	The PRC	39%	–	(56)	–	33,187	–
Feigao Zhizhuo	The PRC	39%	–	–	–	40,897	–
				(17,567)	(10,158)	456,666	59,092
Individually immaterial subsidiaries with non-controlling interests				92,012	25,311	762,369	451,785
				74,445	15,153	1,219,035	510,877

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intra group eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

52.3 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Feigao Zhizhuo		Shenzhen Anbo		Guilin Wanhao	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Current assets	104,782	N/A	33	169,450	481,698	351,062
Non-current assets	172	N/A	185,562	–	1,686	377
Current liabilities	90	N/A	101,214	84,925	244,070	108,545
Equity attributable to owners of the Company	63,967	N/A	51,194	84,525	122,050	242,894
Non-controlling interests	40,897	N/A	33,187	–	117,264	–
Expenses and loss for the year	–	N/A	(143)	–	(3,579)	(1,067)
Loss attributable to the owners of the Group	–	N/A	(87)	–	(1,825)	(1,067)
Loss attributable to the non-controlling interests	–	N/A	(56)	–	(1,754)	–
Net cash (outflow) inflow from operating activities	–	N/A	(15,862)	(84,382)	(18,465)	55,158
Net cash inflow (outflow) from financing activities	–	N/A	15,953	84,925	(16,071)	45,640
Net cash (outflow) inflow	–	N/A	(91)	543	2,394	9,572
	Tianjin Songjiang		Chengdu Zhifu			
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000		
Current assets	102,918	88,868	1,915,738	1,030,448		
Non-current assets	227,506	237,519	6,594	1,680		
Current liabilities	146,508	178,658	1,440,467	537,116		
Non-current liabilities	2,485	–	–	–		
Equity attributable to owners of the Company	108,859	88,637	289,119	495,012		
Non-controlling interests	72,572	59,092	192,746	–		
Revenue	2,210	2,017	–	–		
Cost of sales	(26,917)	(18,473)	–	–		
Expenses	(1,538)	(8,940)	(13,147)	(4,988)		
Loss for the year	(26,245)	(25,396)	(13,147)	(4,988)		
Loss attributable to the owners of the Group	(15,747)	(15,238)	(7,888)	(4,988)		
Loss attributable to the non-controlling interests	(10,498)	(10,158)	(5,259)	–		
Net cash outflow from operating activities	(15,727)	(85,601)	(634,681)	(278,767)		
Net cash inflow from investing activities	26,088	–	–	–		
Net cash (outflow) inflow from financing activities	(12,092)	86,953	639,273	232,383		
Net cash inflow (outflow)	1,731	(1,352)	(4,592)	(46,384)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	2,021,256	1,565,920
Amounts due from subsidiaries	7,403,832	5,776,349
	9,425,088	7,342,269
CURRENT ASSETS		
Other receivables	6	5,351
Banks balances and cash	2,757	37,449
	2,763	42,800
CURRENT LIABILITIES		
Accruals	5,787	6,113
Amounts due to subsidiaries	84,204	161,530
Senior notes	746,051	–
	836,042	167,643
NET CURRENT LIABILITIES	833,279	124,843
TOTAL ASSETS LESS CURRENT LIABILITIES	8,591,809	7,217,426
NON-CURRENT LIABILITY		
Senior notes	6,022,081	4,843,390
	2,569,728	2,374,036
CAPITAL AND RESERVES		
Share capital	497,485	429,575
Reserves	2,072,243	1,944,461
	2,569,728	2,374,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. Particulars of Principal Subsidiaries of the Company (continued)

Movement of capital and reserves:

	Share capital RMB'000	Share premium RMB'000	Retained profits (accumulated loss) RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2013	457,093	2,451,225	254,650	7,420	3,170,388
Loss and total comprehensive expense for the year	–	–	(202,676)	–	(202,676)
Recognition of equity-settled share-based payments (note 47)	–	–	–	8,756	8,756
Dividend distributed to shareholders of the Company (note 13)	–	(228,576)	–	–	(228,576)
Share repurchased and cancelled (note 41)	(27,518)	(346,338)	–	–	(373,856)
At 31 December 2013	429,575	1,876,311	51,974	16,176	2,374,036
Loss and total comprehensive expense for the year	–	–	(441,213)	–	(441,213)
Recognition of equity-settled share-based payments (note 47)	–	–	–	3,353	3,353
Issue of share as consideration of subsidiaries	67,900	871,625	–	–	939,525
Issue of share upon exercise of share option	10	101	–	(30)	81
Dividend distributed to shareholders of the Company (note 13)	–	(306,054)	–	–	(306,054)
At 31 December 2014	497,485	2,441,983	(389,239)	19,499	2,569,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

53. Information About the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	2,021,256	1,565,920
Amounts due from subsidiaries	7,403,832	5,776,349
	9,425,088	7,342,269
CURRENT ASSETS		
Other receivables	6	5,351
Banks balances and cash	2,757	37,449
	2,763	42,800
CURRENT LIABILITIES		
Accruals	5,787	6,113
Amounts due to subsidiaries	84,204	161,530
Senior notes	746,051	–
	836,042	167,643
NET CURRENT LIABILITIES	833,279	124,843
TOTAL ASSETS LESS CURRENT LIABILITIES	8,591,809	7,217,426
NON-CURRENT LIABILITY		
Senior notes	6,022,081	4,843,390
	2,569,728	2,374,036
CAPITAL AND RESERVES		
Share capital	497,485	429,575
Reserves	2,072,243	1,944,461
	2,569,728	2,374,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

53. Information About the Statement of Financial Position of the Company (continued)

Movement of capital and reserves:

	Share capital RMB'000	Share premium RMB'000	Retained profits (accumulated loss) RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2013	457,093	2,451,225	254,650	7,420	3,170,388
Loss and total comprehensive expense for the year	–	–	(202,676)	–	(202,676)
Recognition of equity-settled share-based payments (note 47)	–	–	–	8,756	8,756
Dividend distributed to shareholders of the Company (note 13)	–	(228,576)	–	–	(228,576)
Share repurchased and cancelled (note 41)	(27,518)	(346,338)	–	–	(373,856)
At 31 December 2013	429,575	1,876,311	51,974	16,176	2,374,036
Loss and total comprehensive expense for the year	–	–	(441,213)	–	(441,213)
Recognition of equity-settled share-based payments (note 47)	–	–	–	3,353	3,353
Issue of share as consideration of subsidiaries	67,900	871,625	–	–	939,525
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Dividend distributed to shareholders of the Company (note 13)	–	(306,054)	–	–	(306,054)
At 31 December 2014	497,485	2,441,983	(389,239)	19,499	2,569,728

54. Event After the Reporting Year

Apart from the acquisition of subsidiaries disclosed in note 43 (b), subsequent to the Group had following significant event take place after the end of the reporting period:

On 16 February 2015, the Group announced for the acquisition of a target company and its subsidiaries (collectively referred to as the “Target Group”) with certain indebtedness (the “Acquisition”) at a cash consideration of RMB330,000,000 from independent third parties. The Target Group are primarily engaged in the provision of property management services to manage over 130 communities in the PRC. At the date these consolidated financial statements were authorised for issue, the Acquisition has not been completed.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 162, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility For The Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal controls as the directors determine are necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	7	7,279,828	6,230,050
Cost of sales and services		(4,486,269)	(3,709,778)
Gross profit		2,793,559	2,520,272
Other income, gains and losses	8	385,511	31,800
Change in fair value of investment properties	16	167,319	167,876
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	29	10,177	330,257
Selling and distribution expenses		(315,184)	(314,100)
Administrative expenses		(487,390)	(291,966)
Finance costs	9	(260,294)	(57,698)
Share of results of associates		675	417
Share of results of joint ventures		(6,714)	–
Gain on disposal of subsidiaries	43(a)	116,644	–
Profit before tax	10	2,404,303	2,386,858
Income tax expense	11	(1,174,112)	(1,261,209)
Profit for the year		1,230,191	1,125,649
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of properties		3,960	45,708
Deferred taxation liability arising from revaluation of properties		(990)	(14,633)
Other comprehensive income for the year, net of income tax		2,970	31,075
Total comprehensive income for the year		1,233,161	1,156,724
Profit for the year attributable to:			
Owners of the Company		1,215,038	1,139,241
Non-controlling interests		15,153	(13,592)
		1,230,191	1,125,649
Total comprehensive income attributable to:			
Owners of the Company		1,218,008	1,163,210
Non-controlling interests		15,153	(6,486)
		1,233,161	1,156,724
Earnings per share – Basic (RMB)	14	0.23	0.22
Earnings per share – Diluted (RMB)	14	0.23	0.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

		2013	2012
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	905,241	585,687
Investment properties	16	4,012,828	3,422,233
Interests in associates	17	1,566	1,171
Interests in joint ventures	18	71,084	19,720
Available-for-sale investment	19	38,910	–
Goodwill	20	79,267	16,488
Intangible assets	21	907	–
Prepaid lease payments	22	1,233,811	822,252
Premium on prepaid lease payments	23	390,032	591,144
Land development expenditure	24(i)	666,131	1,217,463
Other receivables	24(i)	376,841	–
Deposits paid for acquisition of subsidiaries	25	150,000	6,890
Deposit paid for acquisition of a property project	26	132,346	126,004
Deposit paid for acquisition of land use rights	27	435,423	158,123
Deferred tax assets	28	393,454	329,372
		8,887,841	7,296,547
CURRENT ASSETS			
Properties for sale	29	14,191,479	11,372,628
Prepaid lease payments	22	30,828	28,121
Premium on prepaid lease payments	23	10,853	19,219
Trade and other receivables	30	3,583,659	2,142,501
Amounts due from customers for contract works	31	41,059	52,482
Tax recoverable		46,114	77,179
Amount due from a joint venture	32	139,190	–
Financial assets at fair value through profit or loss	33	–	42,200
Restricted/pledged bank deposits	34	855,564	707,614
Bank balances and cash	34	2,776,879	2,788,106
		21,675,625	17,230,050
CURRENT LIABILITIES			
Trade and other payables	35	2,453,629	2,603,457
Deposits received for sale of properties		4,678,224	4,186,104
Amounts due to customers for contract works	32	54,318	2,291
Amounts due to related parties	36	506	1,573
Tax payable		2,784,573	2,238,038
Borrowings – due within one year	37	2,053,357	2,452,294
Obligations under finance leases	38	26,003	–
		12,050,610	11,483,757
NET CURRENT ASSETS		9,625,015	5,746,293
TOTAL ASSETS LESS CURRENT LIABILITIES		18,512,856	13,042,840

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

		2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	719,916	692,558
Borrowings – due after one year	37	4,942,036	3,100,113
Senior notes	39	4,843,390	2,329,003
Provision	42(a)(i)	29,591	–
Obligation under finance leases	38	140,418	–
Redeemable shares	40	6,177	–
		10,681,528	6,121,674
		7,831,328	6,921,166
CAPITAL AND RESERVES			
Share capital	41	429,575	457,093
Reserves		6,890,876	6,144,037
Equity attributable to owners of the Company		7,320,451	6,601,130
Non-controlling interests		510,877	320,036
		7,831,328	6,921,166

The consolidated financial statements on pages 60 to 162 were approved and authorised for issue by the Board of Directors on 18 March 2014 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

Attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Share options reserve RMB'000 (Note iii)	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note iv)	Discretionary reserves RMB'000 (Note iv)	Property revaluation reserve RMB'000 (Note v)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	457,093	2,620,084	(64,168)	2,240	40,600	40,408	1,477	6,944	2,496,921	5,601,599	180,657	5,782,256
Profit for the year	-	-	-	-	-	-	-	-	1,139,241	1,139,241	(13,592)	1,125,649
Surplus on revaluation of properties	-	-	-	-	-	-	-	36,233	-	36,233	9,475	45,708
Deferred taxation liability arising from revaluation of properties	-	-	-	-	-	-	-	(12,264)	-	(12,264)	(2,369)	(14,633)
Other comprehensive income for the year	-	-	-	-	-	-	-	23,969	-	23,969	7,106	31,075
Profit and total comprehensive income (expense) for the year	-	-	-	-	-	-	-	23,969	1,139,241	1,163,210	(6,486)	1,156,724
Acquisition of subsidiaries (note 42)	-	-	-	-	-	-	-	-	-	-	141,215	141,215
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	4,650	4,650
Dividend distributed to shareholders of the Company (note 13)	-	(168,859)	-	-	-	-	-	-	-	(168,859)	-	(168,859)
Recognition of equity-settled share-based payments (note 46)	-	-	-	5,180	-	-	-	-	-	5,180	-	5,180
Transfer	-	-	-	-	-	131	-	-	(131)	-	-	-
At 31 December 2012	457,093	2,451,225	(64,168)	7,420	40,600	40,539	1,477	30,913	3,636,031	6,601,130	320,036	6,921,166
Profit for the year	-	-	-	-	-	-	-	-	1,215,038	1,215,038	15,153	1,230,191
Surplus on revaluation of properties	-	-	-	-	-	-	-	3,960	-	3,960	-	3,960
Deferred taxation liability arising from revaluation of properties	-	-	-	-	-	-	-	(990)	-	(990)	-	(990)
Other comprehensive income for the year	-	-	-	-	-	-	-	2,970	-	2,970	-	2,970
Profit for the year	-	-	-	-	-	-	-	2,970	1,215,038	1,218,008	15,153	1,233,161
Acquisition of subsidiaries (note 42)	-	-	-	-	-	-	-	-	-	-	52,430	52,430
Deemed disposal of partial interest in subsidiaries without loss of control (note iii)	-	-	99,143	-	-	-	-	-	-	99,143	131,421	230,564
Contribution from non-controlling shareholders of subsidiaries	-	-	34,056	-	-	-	-	-	-	34,056	9,008	43,064
Dividend distributed to shareholders of the Company (note 13)	-	(228,576)	-	-	-	-	-	-	-	(228,576)	-	(228,576)
Recognition of equity-settled share-based payments (note 46)	-	-	-	8,756	-	-	-	-	-	8,756	-	8,756
Shares repurchased and cancelled (note 41)	(27,518)	(346,338)	-	-	-	-	-	-	-	(373,856)	-	(373,856)
Acquisition of additional interests in subsidiaries from non-controlling shareholders (note iv)	-	-	(4,154)	-	-	-	-	-	-	(4,154)	(14,438)	(18,592)
Disposal of a subsidiary (note 43(a))	-	-	-	-	-	-	-	-	-	-	275	275
Transfer	-	-	-	-	-	3,198	-	-	(3,198)	-	-	-
At 31 December 2013	429,575	1,876,311	30,821	16,176	40,600	43,737	1,477	33,883	847,871	7,320,451	510,877	7,831,328

Notes:

- (i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out final dividend from share premium account.
- (ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represents the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.
- (iii) During the year ended 31 December 2013, deemed disposals of partial interest in subsidiaries were arisen from (a) a subsidiary of the Company issued new shares to the non-controlling shareholders, and (b) the Group disposed of its partial equity interests in a subsidiary which was held by the Group through a 54% owned subsidiary to a joint venture of the Group, the difference between the consideration received from the deemed disposal of partial interest in these subsidiaries without loss of control and proportionate share of the subsidiary's net assets by the non-controlling interests was credited to the special reserve of RMB99,143,000 in aggregation.
- (iv) During the year ended 31 December 2013, the Group acquired additional interests in subsidiaries from the non-controlling shareholders. The difference between the consideration paid and proportionate share of the subsidiary's net assets by the Group was debited to the special reserve of RMB4,154,000.
- (v) Share options reserve represents the share-based payment under the Company's share option scheme.
- (vi) The statutory reserves and discretionary reserves relate to subsidiaries in the People's Republic of China (the "PRC") and are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.
- (vii) Property revaluation surplus arose from the transfer of owner-occupied property to investment properties at the date of change in use.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	2,404,303	2,386,858
Adjustments for:		
Change in fair value of investment properties	(167,319)	(167,876)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	(10,177)	(330,257)
Release of prepaid lease payments	18,544	12,102
Release of premium on prepaid lease payments	15,342	11,133
Release of prepayments	–	20,960
Amortisation of intangible assets	906	–
Depreciation of property, plant and equipment	64,521	37,478
Investment income	(246,161)	–
(Gain) loss on disposal of property, plant and equipment	(39)	31
Gain on disposal of a subsidiary	(116,644)	–
(Reversal of) allowance on bad and doubtful debts, net	(4,117)	10,547
Interest income	(7,007)	(10,424)
Finance costs	260,294	57,698
Net foreign exchange gain	(91,838)	(7,483)
Share of results of associates	(675)	(417)
Share of result of joint ventures	6,714	–
Share-based payment expenses	8,756	5,180
Operating cash flows before movements in working capital	2,135,403	2,025,530
Addition to prepaid lease payments	(762,995)	(506,918)
Decrease in land development expenditure	44,668	238,955
Increase in properties for sale	(567,599)	(576,574)
Increase in deposits paid for acquisition of land use rights	(435,423)	(158,123)
Increase in trade and other receivables	(700,191)	(641,692)
Decrease in prepayments	–	10,000
Decrease (increase) in amounts due from customers for contract works	11,423	(36,123)
Decrease in amounts due to related parties	–	(1,397)
Increase in amounts due to customers for contract works	52,027	2,291
Increase in trade and other payables	149,402	191,038
Increase in deposits received for sale of properties	212,120	1,567,100
Cash generated from operations	514,026	2,114,087
Income tax paid	(634,141)	(436,470)
Interest paid	(816,234)	(510,313)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(936,349)	1,167,304

	Notes	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Deposits paid for acquisition of a property project		(6,342)	(21,104)
Increase in restricted bank deposits		(147,950)	(392,480)
Disposal (purchase) of structured deposits		42,200	(42,200)
Settlement of consideration payable of acquisition of assets and liabilities through acquisitions of subsidiaries and acquisition of business		(257,030)	(87,114)
Purchases of property, plant and equipment		(113,832)	(134,819)
Additions to investment properties		(100,975)	(149,580)
Acquisitions of assets and liabilities through acquisitions of subsidiaries (net of cash and cash equivalents acquired)	42(a)	(1,778,391)	(778,374)
Acquisition of business (net of cash and cash equivalents acquired)	42(b)	(183,223)	(53)
Interest received		7,007	10,424
Dividend received from an associate		280	323
Proceeds from disposal of property, plant and equipment		3,646	6,109
Disposal of a subsidiary	43(a)	195,122	6,375
Deposits paid for acquisition of subsidiaries		(148,790)	(5,680)
Proceeds from disposal of investment properties		85,826	21,856
Repayment of amounts due from related parties		–	3,262
Capital injection to a joint venture		(58,078)	(19,720)
Advance to a joint venture		(139,190)	–
NET CASH USED IN INVESTING ACTIVITIES		(2,599,275)	(1,582,775)
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes	39	2,508,503	1,530,324
Contribution from a non-controlling shareholders		6,000	4,650
New borrowings raised		5,345,377	3,356,804
Repayment of borrowings		(3,867,220)	(2,539,965)
Dividend paid to shareholders of the Company		(228,576)	(168,859)
(Repayment to) advance from a related party		(1,067)	423
Acquisition of additional interest in subsidiaries		(18,592)	–
Shares repurchased		(373,856)	–
Repayment of obligations under finance leases		(58,324)	–
Proceeds from dilution of interest in a subsidiary that does not result in losing of control	42(b)	193,500	–
Deemed disposal of partial interest in a subsidiary		43,241	–
NET CASH FROM FINANCING ACTIVITIES		3,548,986	2,183,377
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,362	1,767,906
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,788,106	1,021,355
Effect of foreign exchange rate changes		(24,589)	(1,155)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		2,776,879	2,788,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. General

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the “BVI”). Its ultimate controlling party is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 51.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised standards on consolidation, joint arrangements, associates and disclosures and amendments to HKFRS 10, HKFRS 11, and HKFRS 12

In the current year, the Group has applied the first time HKFRS 10, HKFRS 11, and HKFRS 12 and HKFRS 28 (as revised in 2011) together with amendments to HKFRS 10, HKFRS 11, and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these consolidated financial statements as it deals only with separate financial statements.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 “*Consolidated and Separate Financial Statements*” that deal with consolidated financial statements and HK-SIC Int – 12 “*Consolidation – Special Purpose Entities*”. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Impact of the application of HKFRS 10 (continued)

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 “*Interests in Joint Ventures*”, and the guidance contained in a related interpretation, HK(SIC) – Int13 “*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*”, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the interest in a jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

Impact of application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad, the fair value measurement requirements applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS17 “*Leases*”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value or the purposes of measuring inventories or value in use for impairment assessment purpose).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 13 Fair Value Measurement (continued)

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (see note 16 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to IFRSs 2010–2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to IFRSs 2011–2013 Cycle ²
HKFRS 14	Regulatory Deferral Accounts ⁵
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below. The amendments to HKFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short – term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Annual Improvements to HKFRSs 2011–2013 Cycle (continued)

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The directors anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle may have a material effect on the Group’s consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities.

Except for the above impact, the Directors of the Company do not anticipate that the application of other new and revised HKFRSs may have significant impact on the Group’s consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The SEHK Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Significant Accounting Policies *(continued)*

Basis of consolidation *(continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group has directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant Accounting Policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequent whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for the goodwill arising on the acquisition of an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. The associate and joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. Significant Accounting Policies *(continued)*

Investments in associates and joint ventures *(continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Agency fee, service income, management fee, parking fee and consultation fee

Agency fee, service income, management fee, parking fee and consultation fee are recognised when services are provided.

The Group's policy for recognition of revenue from construction services is described in the accounting policy for construct in contracts below.

Hotel operation

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or construction is completed.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. Significant Accounting Policies (continued)

Land development expenditure

Land development expenditure is stated at the lower of cost and net realisable value. The cost includes expenditure directly attributable to the development of relevant projects such as road construction, demolition, resettlement work and borrowing cost.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised

Properties for sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Cost of each unit in each phase of development is determined using the weighted average method.

Net realisable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Significant Accounting Policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits paid for acquisition of land use rights, subsidiaries and a property project, trade and other receivables, amount due from a joint venture, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

FVTPL

The Group's financial assets at FVTPL represent financial assets designated as at FVTPL.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties;

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Senior notes

Senior notes issued by the Company that contain both obligation under finance lease, liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related parties, redeemable shares and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Significant Accounting Policies *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale or for use in the production or supply of goods or services, and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of development of projects for sale whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

3. Significant Accounting Policies (continued)

Leasing (continued)

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

Share-based payment transactions

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

Classification of Xingjiang Tongzhinian Equity Investment Partnership (Limited Liability Partnership) ("Xingjiang Tongzhinian") as a joint venture

Xingjiang Tongzhinian is a limited liability partnership whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Xingjiang Tongzhinian is classified as a joint venture of the Group. See note 18 for details.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of approximately RMB14,191,479,000 (2012: RMB11,372,628,000). Cost, including the cost of land, development expenditure, borrowing costs capitalized in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on sellable gross floor area, using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

LAT

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable on disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies.

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of trade receivable is RMB661,721,000 (2012: carrying amount of RMB964,674,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill net of accumulated impairment loss was approximately RMB79,267,000 (2012: carrying amount of RMB16,488,000).

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Fair value measurements and valuation processes

The investment properties of the Group are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to related parties as disclosed in notes 34, borrowings as disclosed in note 37, obligations under finance leases disclosed in note 36, senior notes as disclosed in note 39, redeemable shares as disclosed in note 40, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of bank and other borrowings to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital. The Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

6. Financial Instruments

(a) Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	5,952,755	4,702,811
Financial assets at FVTPL	–	42,200
AFS financial assets	38,910	–
Financial liabilities		
Amortised cost	14,276,722	10,309,378

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, deposits paid for acquisition of land use rights, subsidiaries and a property project, trade and other receivables, amounts due from joint venture, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, obligations under finance leases, redeemable shares, borrowings and senior notes. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Group has bank balances, borrowings, redeemable shares, obligations under finance leases and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	2013 RMB'000	2012 RMB'000
Assets		
United States Dollars ("USD")	57,407	1,030,061
Hong Kong Dollars ("HKD")	307,011	60,681
Taiwan Dollars ("TWD")	2,255	1,693
Japanese Yen ("JPY")	25,795	8
Singapore Dollars ("SGD")	17,734	–
Liabilities		
USD	4,651,224	3,245,589
HKD	108,500	137,841
JPY	40,551	–

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(i) Currency risk (continued)

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD, TWD, SGD, JPY and HKD against RMB.

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in the RMB against the relevant foreign currencies. 5% (2012: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2012: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, borrowings, redeemable shares, obligations under finance leases and senior notes. A positive number indicates an increase in profit for the year where the RMB strengthens 5% (2012: 5%) against the relevant currencies. For a 5% (2012: 5%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Foreign currency sensitivity analysis

	2013	2012
	RMB'000	RMB'000
USD		
Increase in profit for the year	229,691	110,776
HKD		
(Decrease) increase in profit for the year	(9,926)	3,858
TWD		
Decrease in profit for the year	(113)	(85)
JPY		
Increase in profit for the year	738	–
SGD		
Decrease in profit for the year	(887)	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

6. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate borrowings, obligations under finance leases, redeemable shares and senior notes. The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the London Interbank Offered Rate ("LIBOR") arising from the Group's USD borrowings, the Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's HKD borrowings and Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate") from the Group's RMB borrowings.

Interest rate risk sensitivity analysis

Bank balances and restricted bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted bank deposits at the end of the reporting period. A 25 basis points (2012: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2012: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would increase/decrease by approximately RMB6,838,000 (2012: increase/decrease of approximately RMB6,554,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2012: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would decrease/increase by approximately RMB27,427,000 (2012: decrease/increase of approximately RMB3,811,000), net of interest that would be capitalised in accordance with the Group's accounting policy.

6. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iii) Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 48(i).

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the 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 has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

At 31 December 2013, the Group has concentration of credit risk on the deposits paid for acquisition of a property project, land use rights and subsidiaries paid to counterparties which are all engaged in PRC property development business and property operation service, and are either state-owned entities or companies with good reputation, the directors of the Company consider that the credit risk is limited.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings, amounts due to related parties, obligations under finance leases, redeemable shares and senior notes as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2013								
Trade and other payables	-	699,246	349,257	253,553	60,400	-	2,264,835	2,264,835
Amounts due to related parties	-	506	-	-	-	-	506	506
Borrowings								
- fixed rate	9.27	62,800	25,226	120,590	1,719,704	67,282	1,995,602	1,682,552
- variable rate	6.76	184,012	549,799	1,188,563	3,752,536	460,116	6,135,026	5,312,841
Obligation under finance lease	4.16	6,065	6,065	20,265	124,004	38,296	194,695	166,422
Redeemable shares	12.00	-	-	-	7,748	-	7,748	6,177
Senior notes	12.37	82,133	105,053	368,621	4,718,364	1,774,448	7,048,619	4,843,390
Financial guarantee contracts	-	7,171,137	-	-	-	-	7,171,137	-
		4,100,131	1,035,400	2,951,792	10,292,402	2,430,496	20,810,221	14,276,722
As at 31 December 2012								
Trade and other payables	-	713,833	385,021	1,275,584	51,957	-	2,426,395	2,426,395
Amounts due to related parties	-	1,573	-	-	-	-	1,573	1,573
Borrowings								
- fixed rate	13.60	6,695	13,390	439,808	200,361	-	660,254	592,000
- variable rate	7.00	434,449	200,743	1,411,460	3,369,179	153,386	5,569,217	4,960,407
Senior notes	14.90	-	108,032	213,628	3,281,758	-	3,603,418	2,329,003
Financial guarantee contracts	-	2,750,751	-	-	-	-	2,750,751	-
		3,907,301	707,186	3,340,480	6,903,255	153,386	15,011,608	10,309,378

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

Liquidity table (continued)

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2013, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately RMB180,000,000 (2012: RMB591,641,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid ranging from 1 year to 3 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB204,354,000 (2012: RMB665,539,000).

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- The fair value of financial guarantee contracts at initial recognition is determined to be insignificant, using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default; and
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value determined based on the discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Except for the following financial liabilities, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

Fair value hierarchy	2013	2013	2012	2012	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000	
Senior notes	Level 1	4,843,390	5,222,844	2,329,003	2,662,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7. Revenue and Segment Information

An analysis of the Group's revenue for the year is as follows:

	2013 RMB'000	2012 RMB'000
Sales of properties	6,733,340	5,885,314
Rental income	128,673	90,266
Agency fee from provision of property agency services	12,683	14,470
Management fee and installation services fee from provision of property operation services	314,764	184,683
Hotel operations	90,368	55,317
	7,279,828	6,230,050

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the operating and reportable segments of the Group.

The Group has five reportable and operating segments as follows:

Property development	–	developing and selling of commercial and residential properties in the PRC
Property investment	–	leasing of commercial and residential properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation of security systems and other related services
Hotel operation	–	provision of hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, exchange gain, share of results of associates and joint venture, gain on disposal of subsidiaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker also reviews the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint venture, financial assets at fair value through profit or loss, amount due from a joint venture, available-for-sale investment, restricted bank deposits, bank balances and cash and other corporate assets.

7. Revenue and Segment Information (continued)

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For 31 December 2013

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Total RMB'000
External revenues	6,733,340	128,673	12,683	314,764	90,368	7,279,828
Inter-segment revenues	104,383	–	1,157	404,902	–	510,442
Segment result	2,294,476	170,405	11,106	129,765	1,010	2,606,762
Segment assets	20,300,865	4,334,570	3,912	937,689	570,952	26,147,988

Amounts included in the measure
of segment profit or loss or
segment assets:

Additions to non-current assets (note)	13,781	111,149	1,493	322,125	46,884	495,432
Change in fair value of investment properties	–	167,319	–	–	–	167,319
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	10,177	–	–	–	–	10,177
Release of prepaid lease payments	14,917	–	–	1,767	1,577	18,261
Release of premium on prepaid lease payments	15,342	–	–	–	–	15,342
Amortisation of intangible assets	–	–	–	906	–	906
Investment income	246,161	–	–	–	–	246,161
Depreciation of property, plant and equipment	15,427	5,239	–	15,453	28,119	64,238
Gain on disposal of property, plant and equipment	39	–	–	–	–	39
Reversal of allowance on bad and doubtful debts, net	4,117	–	–	–	–	4,117

Inter-segment revenues are charged at prevailing market rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7. Revenue and Segment Information (continued)

Segment revenues, results, assets and other material items for 31 December 2012:

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Total RMB'000
External revenues	5,885,314	90,266	14,470	184,683	55,317	6,230,050
Inter-segment revenues	52,388	1,643	1,157	286,021	–	341,209
Segment result	2,205,017	294,225	8,109	108,853	(53,756)	2,562,448
Segment assets	16,279,343	3,422,232	8,359	415,056	432,359	20,557,349
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	34,723	154,868	–	25,714	96,368	313,673
Change in fair value of investment properties	–	167,876	–	–	–	167,876
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	330,257	–	–	–	–	330,257
Release of prepaid lease payments	7,454	–	–	3,067	1,581	12,102
Release of premium on prepaid lease payments	11,133	–	–	–	–	11,133
Depreciation of property, plant and equipment	18,421	–	1	2,862	16,077	37,361
Loss on disposal of property, plant and equipment	31	–	–	–	–	31
Reversal of (allowance) on bad and doubtful debts, net	11,012	–	–	(465)	–	10,547

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets comprise mainly additions to goodwill, property, plant and equipment and investment properties and exclude interests in associates and joint ventures, prepayments, deposits paid for acquisition of subsidiaries and a property project and deferred tax assets.

7. Revenue and Segment Information (continued)

Reconciliation:

	2013 RMB'000	2012 RMB'000
Revenue:		
Total revenue for operating and reportable segments	7,790,270	6,571,259
Elimination of inter-segment revenues	(510,442)	(341,209)
Group's total revenues	7,279,828	6,230,050
Total segment results		
Elimination of inter-segment result	(56,730)	(115,874)
Unallocated amounts:		
Unallocated income	98,847	66,541
Unallocated corporate expenses	(94,887)	(68,976)
Finance costs	(260,294)	(57,698)
Gain on disposal of subsidiaries	116,644	–
Share of results of associates	675	417
Share of results of a joint ventures	(6,714)	–
Profit before taxation	2,404,303	2,386,858
	2013	2012
	RMB'000	RMB'000
Assets:		
Total assets for operating and reportable segments	26,147,988	20,557,349
Unallocated assets:		
Interests in associates	1,566	1,171
Interests in joint ventures	71,084	19,720
Financial assets at fair value through profit and loss	–	42,200
Available-for-sale investment	38,910	–
Restricted bank deposits	855,564	707,614
Amount due from a joint venture	139,190	–
Bank balances and cash	2,776,879	2,788,106
Corporate assets	532,285	410,437
Group's total assets	30,563,466	24,526,597

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC.

During the years ended 31 December 2013 and 2012, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7. Revenue and Segment Information (continued)

Reconciliation: (continued)

	2013 RMB'000	2012 RMB'000
Other material items:		
<i>Release of prepaid lease payments</i>		
Reportable segment totals	18,261	12,102
Unallocated amount	283	–
	18,544	12,102
<i>Release of premium on prepaid lease payments</i>		
Reportable segment and Group's totals	15,342	11,133
<i>Depreciation of property, plant and equipment</i>		
Reportable segment totals	64,238	37,361
Unallocated amount	283	117
Group's total	64,521	37,478
<i>Additions to non-current assets</i>		
Reportable segment totals	495,432	313,673
Unallocated amount	5,649	–
Group's total	501,081	313,673
<i>Gain (loss) on disposal of property, plant and equipment</i>		
Reportable segment and Group's totals	39	(31)
<i>Reversal (allowance) on bad and doubtful debt, net</i>		
Reportable segment and Group's totals	4,117	(10,547)

8. Other Income, Gains and Losses

	2013 RMB'000	2012 RMB'000
Investment income (notes i)	246,161	–
Interest income	7,007	10,424
Forfeiture income on deposits received	–	853
Government grant (note ii)	29,335	8,505
Net exchange gain	91,838	7,483
Others	11,170	4,535
	385,511	31,800

Notes:

- (i) The amount represents the return on receivable from Pixian Government (note 24(i)).
- (ii) The amount represents the grants received from the relevant PRC government to encourage the development of real estate industry. The subsidies are unconditional and granted on a discretionary basis to the Group during the year.

9. Finance Costs

	2013 RMB'000	2012 RMB'000
Interest on:		
– borrowings wholly repayable within five years	315,091	393,156
– borrowings not wholly repayable within five years	66,988	10,715
– senior notes	542,664	169,161
– finance lease	1,045	–
Less: Amount capitalised in properties under development for sale	(658,372)	(381,978)
Amount capitalised in land development expenditure	–	(120,570)
Amount capitalised in investment properties under development	(7,122)	(4,951)
Amount capitalised in construction in progress	–	(7,835)
	260,294	57,698

In 2013, certain amount of borrowing costs capitalised arose on the general borrowing pool and were calculated by applying the capitalisation rate of 13.24% per annum (2012: 9.6% per annum) to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10. Profit before Tax

	2013 RMB'000	2012 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	14,784	9,800
Other staff's salaries and allowances	264,165	208,861
Retirement benefit scheme contributions	47,884	19,930
Share-based payments	6,555	3,378
Total staff costs	333,388	241,969
Less: Amount capitalised in properties under development for sale	(92,920)	(85,566)
Amount capitalised in land development expenditure	–	(4,021)
Amount capitalised in investment properties under development	–	(1,152)
	240,468	151,230
Auditor's remuneration	4,868	4,165
Release of prepaid lease payments	18,544	12,102
Release of premium on prepaid lease payments	15,342	11,133
Depreciation of property, plant and equipment	64,521	37,478
Amortisation of intangible assets	906	–
(Gain) loss on disposal of property, plant and equipment	(39)	31
(Reversal of) allowance on bad and doubtful debts, net	(4,117)	10,547
Listing expense of a non-wholly owned subsidiary of the Company	27,748	–
Cost of properties sold recognised as an expense	4,233,681	3,420,029
Contract cost recognised as an expense	22,321	29,695
Office expenses	38,559	15,989
Rental expenses in respect of rented premises under operating leases	9,128	6,994
 Gross rental income from investment properties	 (128,673)	 (90,266)
Less: direct operating expenses from investment properties that generated rental income	6,664	7,139
	(122,009)	(83,127)

11. Income Tax Expense

	2013 RMB'000	2012 RMB'000
Current tax:		
PRC taxes		
EIT	634,865	541,120
LAT	576,870	580,082
	1,211,735	1,121,202
Deferred tax		
Current year	(37,623)	140,007
	1,174,112	1,261,209

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's PRC enterprise income tax is calculated based on the applicable tax rate on assessable profits, if applicable.

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

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss comprehensive income as follows:

	Notes	2013 RMB'000	2012 RMB'000
Profit before tax		2,404,303	2,386,858
Tax at PRC enterprise income tax rate of 25%	(i)	601,076	596,715
Tax effect of share of results of associates		(169)	(104)
Tax effect of share of result of a joint venture		1,679	–
Tax effect of income not taxable for tax purposes		(1,323)	(2,539)
Tax effect of expenses not deductible for tax purposes	(ii)	68,814	57,122
Tax effect of tax losses not recognised		71,319	53,572
Utilisation of tax losses previously not recognised		(10,132)	(2,116)
LAT		576,870	580,082
Tax effect of LAT		(144,218)	(145,021)
Tax effect of different tax rates of subsidiaries		(6,509)	(8,211)
Others	(iii)	16,705	131,709
Income tax expense for the year		1,174,112	1,261,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

11. Income Tax Expense (continued)

Notes:

- (i) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable enterprise income tax rate of those subsidiaries is 25%.
- (ii) The amounts for the years ended 31 December 2013 and 2012 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on senior notes and professional fees.
- (iii) The amounts for the years ended 31 December 2013 and 2012 mainly represent the deferred taxes of LAT payable on changes in fair value of the Group's investment properties in the PRC upon sales of those investment properties.

12. Directors', Chief Executive's and Employees' Remuneration

The emoluments paid or payable to the directors and the chief executive were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note vii)	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2013						
<i>Executive directors:</i>						
Pan Jun (潘軍) (note i)	-	2,497	787	44	746	4,074
Zeng Jie (曾寶寶)	-	2,497	787	44	746	4,074
Lam Kam Tong (林錦堂)	-	1,920	963	15	229	3,127
Zhou Jinquan (周錦泉) (note ii)	-	1,247	783	39	-	2,069
<i>Independent non-executive directors:</i>						
He Min (何敏)	240	-	-	-	120	360
Huang Ming (黃明)	240	-	-	-	120	360
Liao Changjiang (廖長江)	240	-	-	-	120	360
Xu Quan (許權)	240	-	-	-	120	360
	960	8,161	3,320	142	2,201	14,784
For the year ended 31 December 2012						
<i>Executive directors:</i>						
Pan Jun (潘軍) (note i)	-	1,984	-	43	448	2,475
Zeng Jie (曾寶寶)	-	1,984	-	43	448	2,475
Feng Huiming (馮輝明) (note iv)	-	772	-	43	270	1,085
Lam Kam Tong (林錦堂) (note v)	-	702	514	6	51	1,273
Chan Sze Hon (陳思翰) (note vi)	-	938	-	9	297	1,244
<i>Independent non-executive directors:</i>						
He Min (何敏)	240	-	-	-	72	312
Huang Ming (黃明)	240	-	-	-	72	312
Liao Changjiang (廖長江)	240	-	-	-	72	312
Xu Quan (許權)	240	-	-	-	72	312
	960	6,380	514	144	1,802	9,800

12. Directors', Chief Executive's and Employees' Remuneration (continued)

Notes:

- (i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- (ii) Appointed on 28 March 2013.
- (iii) Appointed on 28 March 2013.
- (iv) Resigned on 3 September 2012.
- (v) Appointed on 28 May 2012.
- (vi) Resigned on 30 November 2012.
- (vii) The discretionary bonus is determined by the board of directors based on the Group's performance for each financial year.

Employees' emoluments

The five individuals with the highest emoluments in the Group included 3 (2012: 2) directors for both years. Details of their emoluments are set out above. The emoluments of the remaining 2 (2012: 3) of the five highest paid individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and allowances	3,296	3,265
Discretionary bonus	1,929	1,133
Retirement benefit scheme contributions	95	128
Share-based payments	847	734
	6,167	5,260

Their emoluments were within the following band:

	2013 No. of employees	2012 No. of employees
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	–

During the years ended 31 December 2013 and 2012, no remuneration was paid by the Group to any of the directors and Chief Executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and Chief Executive waived any remuneration for the years ended 31 December 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

13. Dividends

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution during the year:		
2012 Final – HK5.50 cents (2012: 2011 final dividend HK4.00 cents) per shares	228,576	168,859

Note: Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2013 of HK6.68 cents, equivalent to RMB5.27 cents (2012: final dividend for the financial year ended 31 December 2012 of HK5.50 cents, equivalent to RMB4.46 cents) per share amounting to approximately RMB257,952,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

14. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	1,215,038	1,139,241
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,181,097,750	5,207,221,750
Effect of dilutive potential ordinary shares		
Share options	26,579,949	2,790,310
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,207,677,699	5,210,012,060

15. Property, Plant and Equipment

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2012	99,395	48,694	20,343	56,773	21,943	338,301	585,449
Additions	-	1,438	6,940	25,499	2,878	105,899	142,654
Acquisition of subsidiaries	-	-	-	1,444	-	-	1,444
Transfer	316,620	43,080	-	-	-	(359,700)	-
Transfer to investment properties (Note)	-	(44,008)	-	-	-	-	(44,008)
Disposals	-	(4,300)	-	(2,335)	(217)	-	(6,852)
At 31 December 2012	416,015	44,904	27,283	81,381	24,604	84,500	678,687
Additions	-	4,946	8,667	26,754	245,373	51,347	337,087
Acquisition of subsidiaries	-	49,622	-	6,554	-	-	56,176
Disposal of subsidiaries	-	-	-	-	(991)	-	(911)
Transfer upon completion	2,910	40,589	-	-	-	(43,499)	-
Transfer to investment properties (Note)	-	(4,947)	-	-	-	-	(4,947)
Disposals	-	-	-	(1,007)	(6,371)	-	(7,378)
At 31 December 2013	418,925	135,114	35,950	113,682	262,615	92,348	1,058,634
DEPRECIATION							
At 1 January 2012	5,674	7,189	10,600	22,448	10,323	-	56,234
Provided for the year	14,501	2,206	6,736	10,857	3,178	-	37,478
Eliminated on disposals	-	(425)	-	(248)	(39)	-	(712)
At 31 December 2013	20,175	8,970	17,336	33,057	13,462	-	93,000
Provided for the year	22,250	13,640	4,429	17,094	7,108	-	64,521
Eliminated on disposal of subsidiaries	-	-	-	-	(267)	-	(267)
Eliminated on disposals	-	-	-	(668)	(3,103)	-	(3,771)
Transfer to investment properties (Note)	-	(90)	-	-	-	-	(90)
At 31 December 2013	42,425	22,520	21,765	49,483	17,200	-	153,393
CARRYING AMOUNTS							
At 31 December 2013	376,500	112,594	14,185	64,199	245,415	92,348	905,241
At 31 December 2012	395,840	35,934	9,947	48,324	11,142	84,500	585,687

Note: During the year ended 31 December 2013, buildings with carrying amount of RMB4,857,000 (2012: RMB44,008,000) were transferred to investment properties upon change in use as evidenced by commencement of operating leases. The excess of the fair value of these properties at the date of change in use over the carrying amounts, amounting to approximately RMB3,960,000 (2012: RMB45,708,000) were recognised in other comprehensive income and accumulated in the property revaluation reserve in equity.

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease or 20 years
Buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvement	5–10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 to 15 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

15. Property, Plant and Equipment *(continued)*

At 31 December 2013, certain of the Group's buildings and hotel buildings with carrying amounts of RMB223,582,000 (2012: RMB60,561,000) were pledged to banks to secure certain banking facilities granted to the Group.

The hotel buildings amounting to approximately RMB336,122,000 (2012: RMB351,302,000) and RMB47,149,000 (2012: RMB44,538,000) are held under medium-term and long-term leases in the PRC, respectively. All the buildings are held under medium-term lease in the PRC at the end of both reporting periods.

At 31 December 2013, transportation equipment amounting to approximately RMB235,710,000 (2012: nil) are held under finance lease.

16. Investment Properties

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2012	2,193,871	249,823	2,443,694
Transfer from property, plant and equipment (note 15)	89,716	–	89,716
Additions	–	154,531	154,531
Transfer from completed properties for sale (note 29)	588,272	–	588,272
Transfers upon completion of construction work	269,042	(269,042)	–
Disposal	(21,856)	–	(21,856)
Net change in fair value recognised in profit or loss	51,188	116,688	167,876
At 31 December 2012	3,170,233	252,000	3,422,233
Transfer from property, plant and equipment (note 15)	8,817	–	8,817
Additions	21,446	86,650	108,097
Transfer from completed properties for sale (note 29)	104,137	–	104,137
Transfer upon completion of construction work	22,390	(22,390)	–
Disposal	(85,826)	–	(85,826)
Net change in fair value recognised in profit or loss	55,886	111,434	167,319
Acquisition of subsidiaries (note 42(a))	314,301	290,227	604,528
Disposal of a subsidiary (note 43(a))	(316,477)	–	(316,477)
At 31 December 2013	3,294,907	717,921	4,012,828

At 31 December 2013, the fair values of the Group's completed investment properties of approximately RMB3,294,907,000 (2012: RMB3,170,233,000) and investment properties under development of approximately RMB717,921,000 (2012: RMB252,000,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties were determined by income capitalisation approach, which is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuation of investment properties under construction is arrived at by residual method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development.

In estimating the fair value of the properties, highest and best use of the properties is their current use.

At 31 December 2013, investment properties with fair value of RMB624,867,000 (2012: RMB633,145,000) represents completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied as there were no special provisions to obtain any title certificates, according to the relevant laws and regulations in the PRC.

16. Investment Properties (continued)

At 31 December 2013, certain of the Group's investment properties with an aggregate fair value of approximately RMB2,339,332,000 (2012: RMB1,636,564,000) were pledged to banks to secure the banking facilities granted to the Group.

The investment properties amounting to approximately RMB945,592,000 (2012: RMB1,185,782,000) and RMB3,067,236,000 (2012: RMB2,236,451,000) are held under medium-term and long-term leases in the PRC, respectively. All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2013 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value as at 31 December 2013 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range
Completed investment properties	3,245,541	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield (the higher of the term yield, the lower of the fair value) 2. Reversionary yield (the higher of the reversionary yield, the lower of the fair value) 3. Vacancy ratio (the higher of vacancy, the lower of the fair value)	2.0% – 5.5% 2.3% – 6.0% 0.0% – 8.0%
Completed investment properties	49,366	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

16. Investment Properties (continued)

Investment properties held by the Group	Fair value as at 31 December 2013 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range
Investment properties under construction	318,160	Level 3	Residual method – based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development.	1. Contingency (the higher of the contingency, the lower of the fair value) 2. Developer's profit (the higher of the developer's profit, the lower of the fair value) 3. Marketing costs (the higher of the marketing costs, the lower of the fair value) 4. Future construction costs for completion (the higher of the construction costs, the lower of the fair value) 5. Gross development value (RMB59/M) (the higher of the gross development value, the higher of the fair value)	5% 10% 2% N/A 5,000–10,000
Investment properties under construction	399,761	Level 3	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm) (the higher of the market unit sales rate, the higher of the fair value)	5,300–9,715
	4,012,828				

There were no transfers into or out of Level 3 during the year ended 31 December 2013.

17. Interests in Associates

	2013 RMB'000	2012 RMB'000
Cost of investment, unlisted	500	500
Share of post-acquisition results and other comprehensive income, net of dividends received	1,066	671
	1,566	1,171

As at 31 December 2013 and 2012, the Group had interests in the following associates:

Name of associate	Registered capital/ share capital	Equity interest attributable to the Group as at 31 December 2013 & 2012	Principal activities
Yuezhong Property Management Company Limited 深圳市越眾物業管理有限公司	RMB1,000,000	50%	Property management
Capitalrise Investment Pte. Ltd. 新加坡置富投資有限公司	SGD100	29%	Inactive

In the opinion of the directors of the Company, no associate is individually material to the Group.

18. Interest in Joint Ventures

	2013 RMB'000	2012 RMB'000
Costs of investments, unlisted	77,798	19,720
Share of post-acquisition results and other comprehensive income, net of dividends received	(6,714)	–
	71,084	19,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

18. Interest in Joint Ventures (continued)

As at 31 December 2013 and 2012, the Group had interests in the following joint ventures:

Name of joint ventures	Total capital amount injected by investors	Group's capital contribution over total capital injected by investors as at		Principal activities
		31 December 2013	2012	
新疆同之年股權投資合夥企業(有限合夥) Xinjiang Tongzhinian Equity Investment Partnership (Limited Liability Partnership) ("Xinjiang Tongzhinian")	RMB210,000,000	9.4%	9.4%	Investment in property project in PRC
Fantasia (Novena) Pte. Ltd. ("Novena") (note)	SGD1,000,000	90.0%	–	Property development in Singapore

Note: According to the Articles of Association of Novena, all operating and financing decisions require unanimous consent and approval from the shareholders including the Group and the other party.

Xinjiang Tongzhinian was formed during the year ended 31 December 2012 whereby its principal activity is to carry out the investment in property projects. Xinjiang Tongzhinian has not yet commenced its operation up to 31 December 2012. Pursuant to the terms of the joint venture agreement signed on 3 August 2012 between an indirect wholly owned subsidiary of the Company and the other joint venture partners of Xinjiang Tongzhinian, an investment committee was set up by Xinjiang Tongzhinian which has the power to govern the significant investment, operating policies and financial decision of Xinjiang Tongzhinian. The Group has the right to appoint three members out of five to the investment committee. Nevertheless, pursuant to the joint venture agreement, all resolutions by the investment committee require two-third of the committee members for approval. As such the significant investment, operating policies and financial decision of Xinjiang Tongzhinian require unanimous consent from both the Group and the other joint venture partners. Xinjiang Tongzhinian is regarded as a joint venture of the Company.

During the year ended 31 December 2013, the Group disposed of its 45% equity interests in TCL King Electronic Shenzhen Company Limited to Xinjiang Tongzhinian, and details of related disposal are disclosed in notes 43(b).

The principal activities of the both joint venture are strategic to the Group to continue with the expansion of the Group's property development operation.

18. Interest in Joint Ventures (continued)

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

All of these joint ventures are accounted for using the equity method in these consolidated financial statements.

Xinjiang Tongzhinian

	2013 RMB'000	2012 RMB'000
Current assets	13,495	209,889
Non-current assets	193,500	–

The above amounts of assets include the followings:

Investment in an associate	193,500	–
Bank balance	13,495	209,889
Loss and total comprehensive expense for the year	2,893	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2013 RMB'000	2012 RMB'000
Net assets of the joint venture	206,995	209,889
Proportion of the Group's ownership interest in Xinjiang Tongzhinian	9.395%	9.395%
Carrying amount of the Group's interest in Xinjiang Tongzhinian	19,448	19,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

18. Interest in Joint Ventures (continued)

Novena

	2013 RMB'000	2012 RMB'000
Current assets	10,364	N/A
Non-current assets	750,854	N/A

The above amounts of assets include the followings:

Properties under development	750,855	N/A
Bank balance	9,808	N/A
Prepayment	556	N/A

Current liabilities	168,714	N/A
Non-current liabilities	535,132	N/A

The above amounts of liabilities include the followings:

Borrowings	535,132	N/A
Amount due to the Group	139,190	N/A
Trade and other payables	26,438	N/A
Deposits received for sale of properties	3,086	N/A

Loss and total comprehensive expense for the year	7,159	N/A
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Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2013 RMB'000	2012 RMB'000
Net assets of the joint venture	57,373	N/A
Proportion of the Group's ownership interest in Novena	90.0%	N/A
Carrying amount of the Group's interest in Novena	51,636	N/A

19. Available-for-Sale Investment

	2013 RMB'000	2012 RMB'000
Unlisted equity investment	38,910	–

The above 10% equity investment in unlisted equity security issued by a private entity incorporated in the PRC. Its principal activity is property development in PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. It was acquired during the year ended 31 December 2013 through the acquisition of entire equity interest in Charmful Limited (see note 42(a)(v)).

20. Goodwill

	RMB'000
COST	
At 1 January 2012	31,516
Arising on acquisition of business (note 42(b))	16,488
At 31 December 2012	48,004
Arising on acquisition of business (note 42(b))	62,779
At 31 December 2013	110,783
IMPAIRMENT	
At 1 January 2012, 31 December 2012 and 31 December 2013	31,516
CARRYING AMOUNTS	
At 31 December 2013	79,267
At 31 December 2012	16,488

During the year ended 31 December 2013, the Group acquired 90% equity interest in Nanjing Mingcheng Property Management Company Limited (南京名稱物業管理有限公司) (“Nanjing Mingcheng”), the entire equity interest in Xiehe Golf (Shanghai) Co., Ltd. (協和高爾夫(上海)有限公司) (“Xiehe Golf”), 51% equity interest in Shaanxi Colour Life Community Service Co., Ltd. (陝西彩生活社區服務有限公司) (“Shaanxi Colour Life”), 90% equity interest in Nanjing Huitao property Management Services Limited (南京惠韜物業管理服務有限公司) (“Nanjing Huitao”), 80% equity interest in Wuxi Taihu Property Management Services Limited (無錫市太湖花園物業管理有限責任公司) (“Wuxi Taihu”), 70% equity interest in Shanghai Xinzhou Property Management Services Limited (上海欣周物業管理有限公司) (“Shanghai Xinzhou”) and 90% equity interest in Nanjing Jinjiang Property Management Services Limited (南京錦江物業管理有限公司) (“Nanjing Jinjiang”) from independent third parties at total consideration of approximately RMB197,913,000.

During the year ended 31 December 2012, the Group acquired 51% equity interests in Tieling Zhengnan, entire equity interests in Nanjing Fantaisa, entire equity interests in Shaanxi Zhongqiang Property Management Company Limited (陝西中強物業管理有限公司) (“Shaanxi Zhongqiang”), entire equity interests in Heyuan Huada Property Management Company Limited (河源華達物業管理有限公司) (“Heyuan Huada”) and 51% equity interests in Qinhuangdao Hongtianyuan from independent third parties at total consideration of approximately RMB15,440,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

20. Goodwill (continued)

The principal activities of the acquirees are mainly provision of property operation services.

Goodwill acquired in business combinations is allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from those business combinations.

During the year ended 31 December 2013 and 2012, management of the Group determined that there is no impairment of its CGU containing goodwill for the acquisition of businesses.

21. Intangible Assets

	Property Management Licences RMB'000
COST	
Arising on acquisition of subsidiaries and at 31 December 2013	1,813
AMORTISATION	
Charge for the year and at 31 December 2013	906
CARRYING AMOUNTS	
At 31 December 2013	907

The above intangible assets have finite useful lives are amortised on a straight line basis over the licences period of 2 years.

22. Prepaid Lease Payments

The Group's prepaid lease payments comprise:

	2013 RMB'000	2012 RMB'000
Leasehold land in the PRC		
Medium-term lease	757,486	267,687
Long-term lease	507,153	582,686
	1,264,639	850,373

Analysed for reporting purposes as:

	2013 RMB'000	2012 RMB'000
Current asset	30,828	28,121
Non-current asset	1,233,811	822,252
	1,264,639	850,373

22. Prepaid Lease Payments *(continued)*

During the year ended 31 December 2013, the Group acquired prepaid lease payments of approximately RMB146,730,000 (2012: RMB635,608,000) through the acquisition of subsidiaries as disclosed in note 42.

During the year ended 31 December 2013, the Group acquired prepaid lease payments of approximately RMB766,512,000 (2012: RMB461,070,000) through public auction.

During the year ended 31 December 2012, prepaid lease payments of approximately RMB11,299,000 were transferred from properties under development for sale as a result of change in intended use of the land to self-use properties.

During the year ended 31 December 2013, prepaid lease payments of RMB476,915,000 (2012: RMB461,070,000) was transferred to properties under development for sale upon commencement of the related construction work in certain property development projects.

At 31 December 2013, certain of the Group's prepaid lease payments with a carrying amount of approximately RMB429,083,000 (2012: RMB235,757,000) were pledged to banks to secure the banking facilities granted to the Group.

23. Premium on Prepaid Lease Payments

Premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments and amounting to approximately RMB186,398,000 (2012: RMB349,388,000) and RMB214,487,000 (2012: RMB260,975,000) in respect of leasehold lands in the PRC under medium-term and long-term lease acquired through acquisition of subsidiaries during the years and are amortised over the period of the remaining lease term on a straight-line basis.

	RMB'000
COST	
At 1 January 2012	460,474
Acquisition of assets and liabilities through acquisition of subsidiaries (note 42(a))	170,064
At 31 December 2012	630,538
Acquisition of assets and liabilities through acquisition of subsidiaries (note 42(a))	45,412
Transfer to property under development for sales	(246,809)
At 31 December 2013	429,141
AMORTISATION	
At 1 January 2012	9,042
Amortised for the year	11,133
At 31 December 2012	20,175
Amortised for the year	15,342
Eliminated on transfer to property under development for sales	(7,261)
At 31 December 2013	28,256
CARRYING AMOUNTS	
At 31 December 2013	400,885
At 31 December 2012	610,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

23. Premium on Prepaid Lease Payments (continued)

	2013 RMB'000	2012 RMB'000
Analysed for reporting purposes as:		
Current asset	10,853	19,219
Non-current asset	390,032	591,144
	400,885	610,363

24. Land Development Expenditure

	2013 RMB'000	2012 RMB'000
Cost incurred	666,131	1,217,463

- (i) In September 2009, the Group entered into an agreement (“Agreement 1”) with the People’s Government of Pixian County (“Pixian Government”) relating to the joint development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province (“Land Development Project 1”). Under the Agreement 1, the Group is responsible for preparing overall plans and detailed designs of the culture park as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work, arrange public auction and pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 1.

During the year ended 31 December 2013, the Group entered into an agreement (“Agreement 2”) with Pixian Government relating to the cancellation of the Agreement 1 and revision of the terms of the Land Development Project 1. Under the Agreement 2, the Group is responsible for provision of funds to Pixian Government and management the Land Development Project 1 to Pixian Government while the Pixian Government is required to repay finance cost at benchmark borrowing rate issued by the People’s Bank of China, investment income at 12% per annum and project management fee at 3% per annum based on the accumulated cost incurred by the Group as stipulated in the formula set out in the Agreement 2, before the execution of Agreement 2, Pixian Government sold certain parcels of land to independent third parties upon completion of the road construction, demolition and resettlement work of Land Development Project 1 and paid to the Group amounting to approximately RMB156,249,000 which the refund was approximate to the cost incurred with no significant income recognized.

The accumulated cost incurred on the Project Development Project 1 after deduction of the refund received amounting to RMB506,669,000 was reclassified to other receivables. The Pixian Government is required to pay the return based on the cost incurred on Land Development Project 1 to the Group of RMB246,161,000 with reference to the formula set out in the Agreement 2 and the Group recognised as investment income during the year ended 31 December 2013 accordingly. In addition, pursuant to the Agreement 2, Pixian Government has to settle the receivables amounting to RMB375,989,000 on or before 30 June 2014 (classified as current assets included in note 30) and the remaining amount of RMB376,841,000 upon the land are disposed by Pixian Government which is classified as non-current assets.

24. Land Development Expenditure (continued)

(i) (continued)

The movements during the year are as follows:

	RMB'000
As at 1 January 2013	662,918
Repayment from Pixian Government	(156,249)
Transfer to other receivables	(506,669)
As at 31 December 2013	–

(ii) In March 2011, the Group entered into agreement (“Agreement 3”) with the People’s Government of Chengdu (“Chengdu Government”) relating to the development of the Wu Gui Qiao Town located in Jinjiang area, Chengdu, Sichuan Province (“Land Development Project 2”). Under the Agreement 3, the Group is required to jointly construct the ancillary facilities on these parcels of land pursuant to the guidelines set by the Chengdu Government while the Chengdu Government is required to complete the demolition and resettlement work on these parcels of land. The land development expenditure represents the cost incurred for constructing the ancillary facilities. The additions during the year ended 31 December 2013 amounted to approximately RMB111,586,000 (2012: RMB24,545,000) and balance at 31 December 2013 amounted to approximately RMB666,131,000 (2012: RMB554,545,000).

Chengdu Government is required to arrange public auction for these parcels of land on or before 30 June 2014 after the Group has completed the construction of ancillary facilities and the Chengdu Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 3.

The Land Development Project 2 is not expected to be completed within the normal operating cycle of the Group and accordingly is classified as non-current assets.

25. Deposit Paid for Acquisition of Subsidiaries

As at 31 December 2013, the Group has made deposits of approximately RMB150,000,000 in relation to the acquisition of parcels of land through acquisition of Shenzhen Jindiying Investment Company Limited (深圳市金地盈投資有限公司) (“Shenzhen Jingdiying”) and Nanjing Lvguo Property Development Company Limited (南京綠國置業發展有限公司) (“Nanjing Lvguo”) from third parties. The aforesaid companies are principally engaged in property development in the PRC. At the date these consolidated financial statements were authorised for issue, the acquisition of Shenzhen Jingdiying and Nanjing Lvguo have been completed.

As at 31 December 2012, the Group has made deposits of approximately RMB6,890,000 in relation to the acquisition of Nanjing Mingcheng Property Management Company Limited (南京名城物業管理有限公司) (“Nanjing Mingcheng”), Shanghai Tongyi Property Management Company Limited (上海通翼物業有限公司) (“Shanghai Tongyi”) and Liaoning Jixiang Baite Company Limited (遼寧吉祥百特有限公司) (“Liaoning Jixiang”) from third parties. The aforesaid companies are principally engaged in property management in the PRC. During the year ended 31 December 2013, the acquisition of Nanjing Mingcheng has been completed (see note 42(b)), the acquisition of Shanghai Tongyi and Liaoning Jixiang were terminated and the deposits had been fully returned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

26. Deposit Paid for Acquisition of a Property Project

As at 31 December 2013, the Group had made deposit of approximately RMB132,346,000 (2012: RMB126,004,000) in relation to the acquisition of a property project from an independent property developer. During the year ended 31 December 2013, the Group made additional deposit of approximately RMB6,342,000 for acquiring the aforesaid property project.

The aforesaid deposit relates to acquisition of a building for hotel operations and is therefore classified as non-current assets.

At the date these consolidated financial statements were authorised for issue, the acquisition of the property project has not been completed.

27. Deposit Paid for Acquisition of Land Use Rights

As at 31 December 2013, the Group had made deposit of approximately RMB435,423,000 in relation to acquisition of land use rights from the third parties (2012: RMB158,123,000). In the opinion of the directors of the Company, the aforesaid transactions are expected to be completed within twelve months from the end of the reporting period.

28. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements during the current and prior years are as follow:

	Fair value change of investment properties RMB'000	Revaluation of other properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Intangible assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	483,204	4,851	(10,770)	(66,694)	-	(202,045)	208,546
Charge to other comprehensive income	-	14,633	-	-	-	-	14,633
Charge (credit) to profit or loss	264,430	-	844	(43,309)	-	(81,958)	140,007
At 31 December 2012	747,634	19,484	(9,926)	(110,003)	-	(284,003)	363,186
Charge to other comprehensive income	-	990	-	-	-	-	990
Acquisition of subsidiaries (note 42(a))	31,801	-	-	-	453	-	32,254
Charge (credit) to profit or loss	66,381	-	(20,782)	(8,783)	(227)	(74,212)	(37,623)
Disposal of a subsidiary (note 43(a))	(32,345)	-	-	-	-	-	(32,345)
At 31 December 2013	813,471	20,474	(30,708)	(118,786)	226	(358,215)	326,462

Note: Others mainly represent the deductible temporary difference arising from LAT provision.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 RMB'000	2012 RMB'000
Deferred tax assets	(393,454)	(329,372)
Deferred tax liabilities	719,916	692,558
	326,462	363,186

28. Deferred Taxation (continued)

At 31 December 2013, the Group had unutilised tax losses of approximately RMB1,388,626,000 (2012: RMB1,108,746,000). A deferred tax asset has been recognised in respect of approximately RMB475,144,000 (2012: RMB440,012,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB913,482,000 (2012: RMB668,734,000) due to the unpredictability of future profits streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2013 RMB'000	2012 RMB'000
2013	–	17,314
2014	10,657	14,061
2015	113,171	116,575
2016	230,218	237,025
2017	162,665	183,087
2018	270,782	–
No expiry	125,989	100,672
	913,482	668,734

At 31 December 2013, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB4,939,281,000 (2012: RMB4,622,423,000). No liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

29. Properties for Sale

	2013 RMB'000	2012 RMB'000
Completed properties for sale	3,510,942	2,345,047
Properties under development for sale	10,680,537	9,027,581
	14,191,479	11,372,628

At 31 December 2013, certain of the Group's properties for sale with a carrying amount of RMB5,455,403,000 (2012: RMB3,060,355,000) were pledged to secure certain banking facilities granted to the Group.

During the year ended 31 December 2012, RMB11,299,000 was transferred to prepaid lease payments, as a result of change in intended use to operate hotel business and for self used buildings as approved by the management of the Group.

During the year ended 31 December 2013, completed properties for sale with an aggregate carrying amount of approximately RMB93,960,000 (2012: RMB258,015,000) were transferred to investment properties upon change in use as evidenced by signing of relevant tenancy agreements.

The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to approximately RMB10,177,000 (2012: RMB330,257,000) were recognised in the consolidated statement of profit or loss and other comprehensive income.

Included in the amount are properties under development for sale of approximately RMB4,593,617,000 (2012: RMB4,239,726,000) in relation to property development projects that are expected to complete after one year from the end of the reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

30. Trade and Other Receivables

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, service and management income in respect of property management.

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, certain portion are received on or before the date of delivery of the properties to customers which is recorded as deposits received for sale of properties and the remaining balance are normally settled within 30–90 days from date of delivery of the properties to the customers under the sales and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and service fee income is received in accordance with the terms of the relevant property service agreements, normally within 30–90 days from the issuance of invoices.

Hotel operation income is in the form of cash sales.

	2013 RMB'000	2012 RMB'000
Trade receivables	661,721	964,674
Other receivables (note i)	278,857	109,523
Prepayments and other deposits	116,237	62,424
Prepayments for suppliers	226,028	217,188
Prepayments for construction work	1,511,936	643,326
Consideration receivable on disposal of subsidiary (Note 43(a))	205,369	–
Amount due from Pixian Government (Note 24)	375,989	–
Other tax prepayment (Note ii)	207,522	145,366
	3,583,659	2,142,501

Note:

- (i) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation segment.
- (ii) During the year ended 31 December 2013, the Group is required to prepay business tax amounting to approximately RMB200,573,000 (2012: RMB187,493,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. As at 31 December 2013, amount of approximately RMB204,844,000 (2012: RMB132,308,000) has been prepaid and included in other tax prepayment.

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the date of delivery of the properties to the customers at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0 to 30 days	300,701	487,829
31 to 90 days	97,072	256,995
91 to 180 days	45,825	30,727
181 to 365 days	143,666	113,747
Over 1 year	74,457	75,376
	661,721	964,674

30. Trade and Other Receivables (continued)

The trade receivables as at 31 December 2013 included the receivables from the property sales of approximately RMB375,759,000 (2012: 870,465,000) whereby the banks have agreed to provide mortgage facilities to the property purchasers and the banks are in the process of releasing the funds to the Group.

For property investment and property operating services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

At 31 December 2013, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB236,948,000 (2012: RMB219,850,000) which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2013 RMB'000	2012 RMB'000
91 to 180 days	45,825	30,727
181 to 365 days	143,666	113,747
Over 1 year	74,457	75,376
	236,948	219,850

Movement in the allowance for doubtful debts in respect of trade and other receivables

	2013 RMB'000	2012 RMB'000
Balance at the beginning of the year	13,219	2,672
Impairment losses reversed	(5,697)	(1,558)
Impairment losses recognised	1,580	12,105
Balance at the end of the year	9,102	13,219

As at 31 December 2013, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB9,102,000 (2012: RMB13,219,000) of which the debtors have been trade in dispute with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

31. Amounts Due from Customers for Contract Works

	2013 RMB'000	2012 RMB'000
Contract costs incurred plus recognised profits less recognised losses	544,747	403,327
Less: Progress billings	(558,006)	(353,136)
	(13,259)	50,191

Analysed for reporting purposes as:

	2013 RMB'000	2012 RMB'000
Amounts due from customers for contract work	41,059	52,482
Amounts due to customers for contract work	(54,318)	(2,291)
	(13,259)	50,191

32. Amount Due from a Joint Venture

The amount due from Novena is unsecured, interest-free and repayable on demand.

33. Financial Assets at FVTPL

During the years ended 31 December 2013 and 2012, the Group entered into several contracts of structured deposits with banks. The return and principal were not guaranteed by the relevant banks and the return was determined by reference to the performance of certain PRC government debt instruments and treasury notes. The entire combined contracts have been designated as at financial assets at FVTPL on initial recognition. The expected return rate stated in the contracts ranges from 2.3% to 4.4% per annum.

In the opinion of the directors, the fair value of the structured deposits at 31 December 2012 approximated their principal amounts. During the year ended 31 December 2013, all structured deposits have been received at their principal amounts together with returns which approximated the expected return.

34. Restricted/Pledged Bank Deposits/Bank Balances and Cash

Restricted/pledged bank deposits

The deposits carry interest rates ranging from 0.4% to 0.5% (2012: 0.4% to 0.5%) per annum. The restricted bank deposits amounting to approximately RMB130,792,000 (2012: RMB61,343,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount RMB178,737,000 (2012: RMB466,133,000) are proceeds from presale of properties with the restriction of use for settlement of construction costs for relevant property projects, and term deposits amounting to approximately RMB545,038,000 (2012: RMB180,138,000) were pledged to banks to secure the short term banking facilities granted to the Group.

During the year ended December 31, 2012, 深圳市布吉供水有限公司 (Shenzhen Buji Water Supplies Co., Ltd) ("Shenzhen Buji Water Supplies"), initiated a legal proceeding in Shenzhen Longgang District People's Court (the "Relevant Court") against a non-wholly owned subsidiary of the Company in relation to a water supply contract. The total amount of claims amounting to RMB10,900,000 included alleged non-payment of RMB2,600,000 and alleged late payment penalty and interest of RMB8,300,000. The Relevant Court has made a notice to a bank to freeze a bank deposit of approximately RMB997,000 of a non-wholly owned subsidiary of the Company to secure the payment of the water supply fee to Shenzhen Buji Water Supplies. The bank deposits of RMB997,000 had not yet been unfrozen as at 31 December 2012 and 2013 and therefore included in restricted bank deposits of the consolidated statement of financial position of the Group. Please refer to note 48(iii) for the disclosure of contingent liabilities.

34. Restricted/Pledged Bank Deposits/Bank Balances and Cash (continued)

Bank balances and cash

The bank balances carry variable interest rates ranging from 0.4% to 2.3% (2012: 0.4% to 2.9%) per annum.

At 31 December 2013, bank balances of the relevant group entities denominated in foreign currencies of USD, HKD, TWD, JPY and SGD, are approximately RMB57,407,000 (2012: RMB1,030,061,000), RMB307,011,000 (2012: RMB60,681,000), RMB2,255,000 (2012: RMB1,693,000), RMB25,795,000 (2012: RMB8,000) and RMB17,734,000 (2012: nil), respectively.

35. Trade and Other Payables

	2013 RMB'000	2012 RMB'000
Trade payables	1,660,348	1,730,059
Deposit received (note i)	24,067	57,023
Other payables (note ii)	515,233	275,392
Other tax payables	61,559	161,339
Payroll payable	74,103	48,181
Welfare payable	2,620	3,315
Retention payable	60,400	54,796
Consideration payable (note 42(a))	19,462	257,630
Accruals	35,837	15,722
	2,453,629	2,603,457

Notes:

- (i) Included in other payables consists of approximately RMB24,067,000 (2012: RMB57,023,000) which was the earnest money received from potential property buyers.
- (ii) The balance mainly includes the receipts on behalf of residents for the settlement of the utility and sundry expenses to be incurred at the property operation segment.

Trade payables principally comprise amounts outstanding for purchase of materials for the construction of properties for sale and ongoing expenditures. The average credit period for purchase of construction materials ranged from six months to one year.

The following is an aged analysis of the Group's trade payables and retention payable presented based on the invoice date at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0 to 60 days	1,217,018	1,269,307
61 to 180 days	223,488	296,571
181 to 365 days	153,212	103,925
1-2 years	42,320	77,074
2-3 years	80,116	21,054
Over 3 years	4,594	16,924
	1,720,748	1,784,855

At 31 December 2013, the balances of approximately RMB60,400,000 (2012: RMB54,796,000) represent the retention money of approximately 5% to 10% of the construction contract price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

36. Amounts Due to Related Parties

	Notes	2013 RMB'000	2012 RMB'000
深圳立方建築設計顧問有限公司			
Shenzhen Cube Architecture Designing			
Consultants Company Limited ("Cube Architecture")	(i)	506	1,150
深圳市安美華照明有限公司			
Shenzhen City Anmeihua Lighting			
Company Limited ("Anmeihua Lighting")	(ii)	–	423
		506	1,573

Notes:

- (i) Cube Architecture is an associate of a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company. The amount is unsecured, interest-free and represents the payables to Cube Architecture for the design fee of several property projects of the Group, and accordingly is of trade nature. The aging of the balance is within 90 days.
- (ii) Anmeihua Lighting is a non-controlling shareholder which held 49% equity interests in a subsidiary of the Company. The amount was unsecured, interest-free and is non-trade nature.

37. Borrowings

	Notes	2013 RMB'000	2012 RMB'000
Bank loans		5,395,393	5,002,407
Other loans	(i)	1,600,000	550,000
		6,995,393	5,552,407
Secured		5,886,462	3,951,677
Unsecured		1,108,931	1,600,730
		6,995,393	5,552,407
Carrying amount repayable:	(iii)		
Within one year		1,873,357	1,860,653
More than one year, but not exceeding two years		2,148,749	1,910,568
More than two years, but not exceeding five years		2,445,580	1,427,002
More than five years		527,707	354,184
Total borrowings		6,995,393	5,552,407
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)		(180,000)	(591,641)
Less: Amounts due within one year shown under current liabilities		(1,873,357)	(1,860,653)
Borrowings due within one year		(2,053,357)	(2,452,294)
Borrowings due after one year		4,942,036	3,100,113

37. Borrowings (continued)

Notes:

- (i) Other borrowings amounting to RMB1,600,000,000 (2012: RMB550,000,000) represent loans provided by certain trust companies, which are secured by property, plant and equipment, investment properties and properties for sale, carry interest at the fixed rate of 9.5% (2012: 13.5% to 17.0%) per annum. The loan balances as at 31 December 2013 are repayable on 16 January 2014, 27 August 2015 and 13 March 2016 respectively. The loan balance as at 31 December 2012 was matured and repaid in 2013.
- (ii) As at 31 December 2013, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB53,552,000 (2012: RMB620,000,000) in aggregate.
- (iii) The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2013, all borrowings are denominated in RMB except that secured borrowings amounting to approximately RMB624,432,000 (2012: RMB916,586,000), RMB108,500,000 (2012: RMB137,841,000) and RMB40,551,000 (2012: nil) are denominated in USD, HKD and JPY respectively, the functional currencies of relevant group entities.

The analysis of the Group's fixed-rate borrowings based on their contractual maturity dates (or reset dates) are as follows:

	2013 RMB'000	2012 RMB'000
Fixed-rate borrowings:		
Within one year	57,075	392,000
More than one year, but not exceeding two years	1,557,075	200,000
More than two years, but not exceeding five years	4,083	–
More than five years	64,319	–
	1,682,552	592,000

In addition, the Group has variable-rate borrowings which carry interest linked to LIBOR, HIBOR and Benchmark Rate. Interest is reset every six months. The analysis of the Group's variable-rate borrowings based on their contractual maturity dates are as follows:

	2013 RMB'000	2012 RMB'000
Variable-rate borrowings:		
Within one year	1,816,282	1,468,653
More than one year, but not exceeding two years	591,674	1,710,568
More than two years, but not exceeding five years	2,441,497	1,427,002
More than five years	463,388	354,184
	5,312,841	4,960,407

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	9.5% per annum	12.6% to 18.0% per annum
Variable-rate borrowings		
LIBOR	+2.0% per annum	+2.0% per annum
HIBOR	+2.0% per annum	+2.0% per annum
Benchmark Rate	–0.1% to +3.3% per annum	–0.4% to +2.6% per annum

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

38. Obligations Under Finance Leases

	2013 RMB'000	2012 RMB'000
Analysed for reporting purposes as:		
Current liabilities	26,003	–
Non-current liabilities	140,418	–
	166,421	–

It is the Group's policy to lease certain of its transportation equipment under finance leases. The average lease term is 8 years (2012: nil). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging 4.2% (2012: nil) per annum.

	Minimum lease payments 2013 RMB'000	Present value of minimum lease payments 2013 RMB'000
Amounts payable under finance leases		
Within one year	32,595	26,003
More than one year but not more than two years	26,530	20,803
More than two years but not more than five years	74,402	62,408
More than five years	61,368	57,207
	194,895	166,421
Less: future finance charge	(28,474)	N/A
Present value of lease obligations	166,421	166,421
Less: Amount due for settlement within 12 months (shown under current liabilities)		(26,003)
Amount due for settlement after 12 months		140,418

Finance lease obligations are denominated in USD, which is not the functional currency of the relevant group entity and secured by lessor's charge on the leased asset.

39. Senior Notes

	Notes	2013 RMB'000	2012 RMB'000
2010 senior notes due 2015	(i)	739,633	755,139
2012 senior notes due 2017	(ii)	1,548,229	1,573,864
2013 – January senior notes due 2020	(iii)	1,566,332	–
2013 – May senior notes due 2016	(iv)	989,196	–
		4,843,390	2,329,003

39. Senior Notes (continued)

	Notes	2013 RMB'000	2012 RMB'000
2010 senior notes due 2015	(i)	739,633	755,139
2012 senior notes due 2017	(ii)	1,548,229	1,573,864
2013 – January senior notes due 2020	(iii)	1,566,332	–
2013 – May senior notes due 2016	(iv)	989,196	–
		4,843,390	2,329,003

Notes:

(i) 2010 senior notes

On 12 May 2010, the Company issued guaranteed senior notes in an aggregate principal amount of US\$120,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 98.3% of the principal amount. The senior notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX"). The senior notes carry interest of 14.0% per annum and interest is payable semi-annually on 12 May and 12 November in arrears. The senior notes will mature on 12 May 2015, unless redeemed earlier.

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 5 May 2010 ("Applicable Premium 1") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 1 is the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of the amount equivalent to the principal amount and related interest up to 12 May 2015 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 12 May 2013, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 114% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. As of 31 December 2013, no senior notes had been redeemed by exercised of this option and this option was expired.

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.9% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, at 31 December 2012 and at 31 December 2013.

(ii) 2012 senior notes

On 27 September 2012, the Company issued senior notes in an aggregate principal amount of US\$250,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 99.5% of the principal amount of the senior notes. The senior notes are listed on the SGX. The senior notes carry interest of 13.8% per annum and interest is payable semi-annually on 27 March and 27 September in arrears. The notes will mature on 27 September 2017, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 20 September 2012 ("Applicable Premium 2") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 2 is the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of the amount equivalent to the principal amount and related interest up to 27 September 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 27 September 2015, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 113.8% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

39. Senior Notes (continued)

Notes: (continued)

(ii) 2012 senior notes (continued)

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.8% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, at 31 December 2012 and at 31 December 2013.

(iii) 2013 – January senior notes

On 22 January 2013, the Company issued guaranteed senior notes in an aggregate principal amount of US\$250,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.75% per annum and interest is payable semi-annually on 22 January and 22 July in arrears. The senior notes will mature on 22 January 2020, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 22 January 2013 (“Applicable Premium 3”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 3 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 22 January 2020 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time on or after 22 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Period	Redemption price
22 January 2017–21 January 2018	105.3750%
22 January 2018–21 January 2019	102.6875%
22 January 2019 and thereafter	100.0000%

At any time and from time to time prior to 22 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date and at 31 December 2013.

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 11.30% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2013.

39. Senior Notes (continued)

Notes: (continued)

(iv) 2013 – May senior notes

On 27 May 2013, the Company issued guaranteed senior notes in an aggregate principal amount of RMB1,000,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 7.875% per annum and interest is payable semi-annually on 27 November and 27 May in arrears. The senior notes will mature on 27 May 2016, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2013 (“Applicable Premium 4”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 4 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 27 May 2016 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 27 May 2016, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 107.875% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The senior notes contain a liability component and the above early redemption options:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 8.70% per annum to the liability component since the senior notes were issued.

- (b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2013.

The movements of the liability component in the senior notes during the year are set out below:

	2013	2012
	RMB'000	RMB'000
Carrying amount as at 1 January	2,329,003	752,367
Net proceeds on the date of issuance	2,508,503	1,530,324
Exchange gain	(102,625)	(16,408)
Interest expenses	542,664	169,161
Less: interest paid to note holders	(434,155)	(106,441)
Carrying amount as at 31 December	4,843,390	2,329,003

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39. Senior Notes (continued)

The carrying amounts and fair values of senior notes (based on the ask price in SGX) are disclosed below:

Fair value hierarchy	2013	2013	2012	2012	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000	
Senior notes	Level 1	4,843,390	5,222,844	2,329,003	2,662,171

40. Redeemable Shares

On 29 May 2013, the Company, a non wholly owned subsidiary of the Company, China Bowen Capital Management Limited (“China Bowen”), and Splendid Fortune Enterprise Limited (“Splendid Fortune”) entered into a subscription agreement (“China Bowen Subscription Agreement”), pursuant to which the non-wholly owned subsidiary of the Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares (the “China Bowen Subscription Shares”) with a total subscription price of HK\$7,762,400 (equivalent to US\$1,000,000 or RMB6,177,000). The non-wholly owned subsidiary of the Company has granted an option (the “Put Option”) to China Bowen that in the event that an initial public offering of a non wholly owned subsidiary of the Company does not complete on or before 4 June 2015 (or such later date as the non wholly owned subsidiary of the Company and China Bowen may agree in writing), China Bowen may, for a period of 30 days thereafter, by notice in writing to the Company, require the non-wholly owned subsidiary of the Company to purchase all the China Bowen Subscription Shares then held by China Bowen at the amount equal to the sum of the subscription amount by China Bowen plus a return calculated at the rate of 12% per annum minus any dividends or distribution and any amounts in relation to the transfer or disposal of such China Bowen Subscription Shares, received by China Bowen in relation to the China Bowen Subscription Shares.

The Group has recognised the above subscription with the put option amounting to RMB6,177,000 as financial liability. If the non-wholly owned subsidiary of the Company completes a qualifying initial public offering on or before 4 June 2015, the China Bowen Subscription Shares will be reclassified to non-controlling interests of the Group.

41. Share Capital

	Number of shares	Amount HK\$	Equivalent to RMB'000
Ordinary shares of HK\$0.1 each			
Authorised:			
At 1 January 2012, 31 December 2012, and 31 December 2013	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2012 and 31 December 2012	5,207,221,750	520,722,175	457,093
Shares repurchased and cancelled	(313,488,000)	(31,348,800)	(27,518)
At 31 December 2013	4,893,733,750	489,373,375	429,575

41. Share Capital (continued)

During the year ended 31 December 2013, the Company repurchased its own shares through the SEHK as follows:

Month of repurchase	No. of ordinary shares at HK\$0.01 per share	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
November	313,488,000	1.54	1.37	472,637
				Equivalent to RMB'000 373,856

The above shares were cancelled subsequently on 2 December 2013 and the aggregate consideration is approximate to RMB373,856,000.

None of the Company's subsidiaries sold or redeemed any of the Company's listed securities during the years ended 31 December 2013 and 2012.

42. Acquisitions of Subsidiaries

(a) Acquisitions of Assets and Liabilities through Acquisitions of Subsidiaries

For the year ended 31 December 2013

- (i) On 30 January 2013, the Group acquired a parcel of land through the acquisition of 60% equity interest in Shenzhen Tengxing Hongda Investment Development Co., Ltd. (深圳騰星宏達投資發展有限公司) ("Shenzhen Tengxing") from an independent third party.

Pursuant to the agreement signed by the Group and the former equity holder of Shenzhen Tengxing, the Group was required to pay cash of approximately RMB47,900,000 for the acquisition. In addition, the Group agreed with the former equity holder of Shenzhen Tengxing that after the property project construction is completed by the Group, the Group is required to transfer 5% of the completed property in this property project to the former equity holder of Shenzhen Tengxing. The Group is responsible for management and providing funding to finance this property project. In addition, the former equity holder of Shenzhen Tengxing Hongda Investment Development Co., Ltd ("Shenzhen Tengxing") will not share any profit or loss of the property project.

Accordingly, the potential amount of the costs (including development expenditure and other attributable expenses of the construction of properties) to be incurred to complete for this 5% completed property to be delivered to the former equity holder of Shenzhen Tengxing is accounted for as a provision amounted to RMB29,591,000 in the consolidated statement of financial position as at 31 December 2013.

Against this background 40% equity interest in Shenzhen Tentxing is not considered as non-controlling interest of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

42. Acquisitions of Subsidiaries (continued)

(a) Acquisitions of Assets and Liabilities through Acquisitions of Subsidiaries (continued)

For the year ended 31 December 2013

- (ii) On 9 May 2013, the Group acquired a completed investment property situated in Shanghai, the PRC through the acquisition of the entire registered capital of China Land Property Holdings Limited (中國地產集團有限公司) at a cash consideration of approximately RMB282,500,000.
- (iii) On 22 May 2013, the Group acquired a parcel of land situated in Suzhou, the PRC which was under development through the acquisition of the entire equity interest in Suzhou Yinzhuan Real Estate Company Limited (蘇州銀莊置地有限公司) from an independent third party at a cash consideration of approximately RMB511,959,000.
- (iv) On 26 June 2013, the Group acquired a parcel of land situated in Ningbo, the PRC which was under development through the acquisition of the entire equity interest in Ningbo Century Huafeng Property Company Limited (寧波世紀華豐房產有限公司) of a cash consideration of approximately RMB602,902,000.
- (v) On 30 November 2013, the Group acquired the 10% equity interest in AFS through the acquisition of the entire equity interest in Charmful Limited of a cash consideration of approximately RMB38,923,000. The investee engages in property development in Nanjing, the PRC. As at 31 December 2013, the outstanding consideration of amounting to RMB19,461,000 is included in trade and other payables.
- (vi) On 25 December 2013, the Group acquired a parcel of land situated in Shenzhen, the PRC which was under development through the acquisition of the entire equity interest in Shenzhen Shengbaijing Investment Development Company Limited (深圳市生百景投資發展有限公司) of a cash consideration of approximately RMB68,000,000.
- (vii) On 30 November 2013, the Group acquired a parcel of land situated in Shenzhen, the PRC which was under development through the acquisition of the entire equity interest in Twinkle Electronic Company Limited (天歌電子有限公司) of a cash consideration of approximately RMB52,780,000.
- (viii) On 25 December 2013, the Group acquired a parcel of land situated in Shenzhen, the PRC which was under development through the acquisition of the entire equity interest in Shenzhen Zhongji Jade Property Development Company Limited (深圳市中稷玉石房地產開發有限公司) of a cash consideration of approximately RMB200,000,000.

42. Acquisitions of Subsidiaries *(continued)*

(a) Acquisitions of Assets and Liabilities through Acquisitions of Subsidiaries *(continued)*

For the year ended 31 December 2013 (continued)

The above transactions are accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions is summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	55
Investment properties	604,528
Available-for-sale investment	38,910
Prepaid lease payments	7,228
Premium on prepaid lease payments	45,412
Deposit for acquisition of land use rights	217,073
Property under development for sales	970,377
Other receivables	137,552
Bank balances and cash	7,112
Other payables	(118,574)
Tax payable	(2)
Deferred tax liabilities	(31,801)
	1,877,870
Identifiable net assets shared by non-controlling interests	(43,315)
	1,834,555
Total consideration satisfied by:	
Cash	1,785,503
Consideration payable due within one year included in trade and other payables	19,461
Provision arisen of acquisition of Shenzhen Tengxing	29,591
	1,834,555
Net cash outflow arising on acquisitions	
Cash consideration paid during the year	1,785,503
Bank balances and cash acquired	(7,112)
	1,778,391

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FOR THE YEAR ENDED 31 DECEMBER 2013

42. Acquisitions of Subsidiaries *(continued)*

(a) Acquisitions of Assets and Liabilities through Acquisitions of Subsidiaries *(continued)*

For the year ended 31 December 2012

- (i) On 31 December 2012, the Group acquired a parcel of land through the acquisition of 61% equity interests in Topsearch Printed Circuits (Shenzhen) Ltd. (“Topsearch Printed Circuits”) (至卓飛高線路板(深圳)有限公司) from an independent third party at a cash consideration of approximately RMB213,421,000.
- (ii) On 20 November 2012, the Group acquired a parcel of land through the acquisition of 100% equity interests in Huawanli Investment (Beijing) Company Limited (花萬里投資(北京)有限公司) from an independent third party at a cash consideration of approximately RMB458,850,000, after deducting an amount of RMB320,300,000 relating to the amount owned by the purchaser to Huawanli Investment (Beijing) Company Limited (花萬里投資(北京)有限公司) at the date of acquisition.

The above transactions were accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions is summarised below:

	RMB'000
Net assets acquired	
Prepaid lease payments	635,608
Premium on prepaid lease payments	170,064
Property, plant and equipment	1,154
Other receivables	1,246
Bank balances and cash	776
Other payables	(127)
	808,721
Identifiable net assets shared by non-controlling interests	(136,450)
	672,271
Total consideration satisfied by:	
Cash	458,850
Consideration payable (note)	213,421
	672,271
Net cash (outflow) inflow arising on acquisitions	
Cash consideration paid during the year	(458,850)
Bank balances and cash acquired	776
	(458,074)

Note: In 2013, the consideration payable was settled.

42. Acquisitions of Subsidiaries (continued)

(b) Acquisition of Business

For the year ended 31 December 2013

- (i) On 8 January 2013, the Group acquired 90% equity interest in Nanjing Mingcheng at a consideration of approximately RMB5,680,000. Nanjing Mingcheng was acquired so as to continue the expansion of the Group's property operation.
- (ii) On 6 February 2013, the Group acquired the entire equity interest in Xiehe Golf at a consideration of approximately RMB159,993,000. Xiehe Golf is principally engaged in provision of golf course services and was acquired with the objective of enter into the market of golf course services.
- (iii) On 26 March 2013, the Group acquired 51% equity interest in Shaanxi Colour Life at a consideration of approximately RMB1. Shaanxi Colour Life was acquired so as to continue the expansion of the Group's property management operation.
- (iv) On 1 May 2013, the Group acquired 90% equity interest in Nanjing Huitao at a consideration of approximately RMB5,280,000. Nanjing Huitao was acquired so as to continue with the expansion of the Group's property management operation.
- (v) On 1 July 2013, the Group acquired 80% equity interest in Wuxi Taihu at a consideration of approximately RMB3,200,000. Wuxi Taihu was acquired so as to continue with the expansion of the Group's property management operation.
- (vi) On 1 July 2013, the Group acquired 70% equity interest in Shanghai Xinzhou at a consideration of approximately RMB13,880,000. Shanghai Xinzhou was acquired so as to continue with the expansion of the Group's property management operation.
- (vii) On 1 July 2013, the Group acquired 90% equity interest in Nanjing Jingjiang at a consideration of approximately RMB9,880,000. Nanjing Jingjiang was acquired so as to continue with the expansion of the Group's property management operation.

Total Consideration transferred

	RMB'000
Cash	197,913

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and recognised as an expense in the current year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

42. Acquisitions of Subsidiaries *(continued)*

(b) Acquisition of Business *(continued)*

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	RMB'000
Intangible assets	1,813
Property, plant and equipment	56,121
Prepaid lease payments	139,502
Trade and other receivables	19,548
Bank balances and cash	9,010
Trade and other payables	(80,587)
Tax payable	(258)
Deferred tax liabilities	(453)
Borrowings	(447)
	144,249

The trade and other receivables acquired with a fair value of approximately RMB19,548,000 approximate its gross contractual amount.

Non-controlling interests

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to RMB9,115,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	197,913
Non-controlling interests	9,115
Less: fair value of net assets acquired	(144,249)
Goodwill arising on acquisition	62,779

Goodwill arose on the acquisition of subsidiaries because these acquisitions included the benefit of expected synergies and the future profitability as at acquisition date. These assets could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

42. Acquisitions of Subsidiaries (continued)

(b) Acquisition of Business (continued)

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	197,913
Less: deposits paid in prior years	(5,680)
Less: bank balances and cash acquired	(9,010)
	183,223

For the year ended 31 December 2012

- (i) During the year ended 31 December 2012, the Group acquired five subsidiaries from various independent third parties which the acquirees are principally engaged in provision of property operation services and were acquired with the objective of expansion of property operation services.
- (ii) On 3 January 2012, the Group acquired 51% equity interests in Tieling Zhengnan at a consideration of approximately RMB1,980,000. Deposit of approximately RMB1,980,000 was paid up to 31 December 2011.
- (iii) On 1 March 2012, the Group acquired entire equity interests in Nanjing Fantasia at a consideration of approximately RMB4,000,000. Deposit of approximately RMB4,000,000 was paid up to 31 December 2011.
- (iv) On 1 July 2012, the Group acquired entire equity interests in Shanxi Zhongqiang at a consideration of approximately RMB800,000. No deposit was paid up to 31 December 2011.
- (v) On 8 August 2012, the Group acquired entire equity interests in Heyuan Huada at a consideration of approximately RMB5,680,000. No deposit was paid up to 31 December 2011.
- (vi) On 20 September 2013, the Group acquired 51% equity interests in Qinhuangdao Hongtianyuan at a consideration of approximately RMB2,980,000. Deposit of approximately RMB894,000 was paid up to 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. Acquisitions of Subsidiaries *(continued)*

(b) Acquisition of Business *(continued)*

Consideration transferred

	RMB'000
Cash	12,384
Consideration payables	3,056
Total	15,440

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the “administrative expenses” line item in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	290
Trade and other receivables	13,675
Bank balances and cash	5,457
Trade and other payables	(15,695)
Tax payable	(10)
	3,717

The trade and other receivables acquired with a fair value of approximately RMB13,675,000 had gross contractual amounts of approximately RMB13,675,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	15,440
Non-controlling interests	4,765
Less: fair value of net assets acquired	(3,717)
Goodwill arising on acquisition	16,488

The non-controlling interests amounting to approximately RMB4,765,000, were measured by reference to the proportionate share of the 49% of Tieling Zhengnan and 49% of Qinhuangdao Hongtianyuan’s net identifiable assets at the acquisition date.

Goodwill arose on the acquisitions of Tieling Zhengnan, Nanjing Fantasia, Shaanxi Zhongqiang, Heyuan Huada and Qinhuangdao Hongtianyuan because the acquisitions included the benefit of expected synergies and the future profitability as at acquisition date. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

42. Acquisitions of Subsidiaries (continued)

(b) Acquisition of Business (continued)

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	12,384
Less: deposits paid in 2011	(6,874)
Less: bank balances and cash acquired	(5,457)
	53

Included in the profit for the year ended 31 December 2012 is approximately RMB1,887,000 attributable to the additional businesses generated by Tieling Zhengnan, Nanjing Fantasia, Shaanxi Zhongqiang, Heyuan Huada and Qinhuangdao Hongtianyuan in total. Revenue for the year includes approximately RMB23,855,000 generated from Tieling Zhengnan, Nanjing Fantasia, Shaanxi Zhongqiang, Heyuan Huada and Qinhuangdao Hongtianyuan in total.

Had the above acquisitions been completed on 1 January 2012, the revenue of the Group for the year ended 31 December 2012 would have been approximately RMB6,283,792,000, and the profit for the year would have been approximately RMB1,127,267,000.

The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2012, nor is intended to be a projection of future results.

43. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the year ended 31 December 2013

- (i) On 30 November 2013, the Group disposed of its entire equity interest in China Land Property Holdings Limited (中國地產集團有限公司) ("China Land") to an independent third party for a consideration of approximately RMB405,000,000. China Land was engaged in provision of property investment.
- (ii) On 11 January 2013, the Group disposed of its entire equity interest in Shenzhen Caiyue Hotel Company Limited (深圳市彩悦酒店有限公司) ("Caiyue Hotel") to independent third parties for a consideration of approximately RMB2,000. Caiyue Hotel was engaged in provision of hotel services.
- (iii) On 13 March 2013, the Group disposed of its entire equity interest in Shenzhen Caiyue Hotel management Company Limited (深圳市彩悦酒店管理有限公司) ("Caiyue Hotel Management") to independent third parties for a consideration of approximately RMB2,000. Caiyue Hotel Management was engaged in provision of hotel services.
- (iv) On 16 July 2013, the Group disposed of its entire equity interests in Shenzhen Colour Life Qingjie Service Company Limited (深圳市彩虹清潔服務有限公司) ("Colour Life Qingjie") to an independent third party for a consideration of approximately RMB1,250,000. Colour Life Qingjie was engaged in provision of property operation services.

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FOR THE YEAR ENDED 31 DECEMBER 2013

43. Disposal of Subsidiaries (continued)

(a) Disposal of subsidiaries (continued)

For the year ended 31 December 2013 (continued)

- (v) On 1 January 2013, the Group disposed of its 51% equity interests in Shenzhen Robert Housekeeper Properties Management Co., Limited (深圳市羅伯特管家物業管理有限公司) ("Shenzhen Robert") to an independent third party for a consideration of approximately RMB380,000. Shenzhen Robert was engaged in provision of property operation services.

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed in respect of the above transactions is summarised below:

	RMB'000
Consideration satisfied by:	
Cash	201,265
Consideration receivable within one year	205,369
	406,634
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	724
Investment properties	316,477
Trade and other receivables	1,608
Bank balances and cash	6,143
Other payables	(2,638)
Tax payable	(254)
Deferred tax liabilities	(32,345)
	289,715
Gain on disposal of subsidiaries:	
Cash consideration	201,265
Consideration receivable (note 30)	205,369
Net assets disposed of	(289,715)
Non-controlling interests	(275)
	116,644
Net cash inflow arising on disposal:	
Cash consideration	201,265
Bank balances and cash disposed of	(6,143)
	195,122

The subsidiary disposed of did not contribute significantly to the Group's cash flows, revenue and profit before tax during the year ended 31 December 2013.

43. Disposal of Subsidiaries (continued)

(b) Partial disposal of interest on a subsidiary without loss of control

For the year ended 31 December 2013

- (i) During the year ended 31 December 2013, the Group disposed of its 45% equity interests in TCL King Electronics (Shenzhen) Company Limited (TCL王牌電子(深圳)有限公司) (“TCL”), which was held by the Group through a 54% owned subsidiary of the Company, to Xinjiang Tongzhinian, a joint venture of the Group, for a cash consideration of approximately RMB193,500,000. TCL was engaged in provision of property development.

The difference of RMB65,087,000 between the consideration received of RMB193,500,000 and the proportionate share of the subsidiary’s net assets by the non-controlling shareholder amounting to RMB128,413,000 is credited to the special reserve of the Group.

- (ii) During the year ended 31 December 2013, a subsidiary of the Group issued new shares to the non-controlling shareholders, the difference of RMB34,056,000, between the consideration received of RMB37,064,000 and the proportionate share of the subsidiary’s net assets by the non-controlling shareholder amounting to RMB3,008,000 is credited to the special reserve of the Group.

44. Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 RMB'000	2012 RMB'000
Within one year	8,014	11,709
In the second to the fifth year inclusive	13,364	34,703
After the fifth year	–	3,310
	21,378	49,722

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for an average term of 1 to 5 years with fixed rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2013 RMB'000	2012 RMB'000
Within one year	106,230	89,603
In the second to the fifth year inclusive	261,625	249,858
After the fifth year	146,228	132,139
	514,083	471,600

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 18 years with fixed rentals.

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FOR THE YEAR ENDED 31 DECEMBER 2013

45. Other Commitments

	2013 RMB'000	2012 RMB'000
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	4,732,040	4,615,929
Land development expenditure commitments in respect of development cost contracted for but not provided in the consolidated financial statements	–	91,130
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	31,881	47,192
Construction commitments in respect of hotels contracted for but not provided in the consolidated financial statements	–	54,482

46. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"), and will expire on 28 August 2021 and 15 October 2022. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK\$1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

As at 31 December 2013, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 116,230,000 (2012: 119,400,000) of HK\$0.1 each, representing approximately 2.4% (2012: 2.3%) of the issued share capital of the Company.

46. Share Option Scheme (continued)

Details of the share options granted under the Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 August 2011	HK\$0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	HK\$0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022
Employees	29 August 2011	HK\$0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	HK\$0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2013 and 2012:

Category of Grantees	Date of grant	Vesting period	Outstanding	Granted	Cancelled/ lapsed	Exercised	Outstanding	Granted	Cancelled/ Lapsed	Exercised	Outstanding	
			at 1 January 2012	during the year	during the year	during the year	at 31 December 2012	during the year	during the year	during the year	at 31 December 2013	
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Directors	29 August 2011	29.8.2011–28.8.2012	2,201,000	–	(883,000)	–	1,318,000	–	–	–	1,318,000	
		29.8.2011–28.8.2013	4,402,000	–	(1,766,000)	–	2,636,000	–	–	–	2,636,000	
		29.8.2011–28.8.2014	15,407,000	–	(6,181,000)	–	9,226,000	–	–	–	9,226,000	
	16 October 2012	16.10.2012–15.10.2013	–	1,872,000	(277,000)	–	1,595,000	–	–	–	1,595,000	
		16.10.2012–15.10.2014	–	3,744,000	(554,000)	–	3,190,000	–	–	–	3,190,000	
		16.10.2012–15.10.2015	–	13,104,000	(1,939,000)	–	11,165,000	–	–	–	11,165,000	
			22,010,000	18,720,000	(11,600,000)	–	29,130,000	–	–	–	29,130,000	
Employees	29 August 2011	29.8.2011–28.8.2012	5,222,000	–	(1,041,000)	–	4,181,000	–	(88,000)	–	4,093,000	
		29.8.2011–28.8.2013	10,444,000	–	(2,082,000)	–	8,363,000	–	(176,000)	–	8,186,000	
		29.8.2011–28.8.2014	36,554,000	–	(7,287,000)	–	29,267,000	–	(616,000)	–	28,651,000	
	16 October 2012	16.10.2012–15.10.2013	–	4,971,000	(125,000)	–	4,846,000	–	(229,000)	–	4,617,000	
		16.10.2012–15.10.2014	–	9,942,000	(250,000)	–	9,692,000	–	(458,000)	–	9,234,000	
		16.10.2012–15.10.2015	–	34,797,000	(875,000)	–	33,922,000	–	(1,603,000)	–	32,319,000	
			52,220,000	49,710,000	(11,660,000)	–	90,270,000	–	(3,170,000)	–	87,100,000	
Total			74,230,000	68,430,000	(23,260,000)	–	119,400,000	–	(3,170,000)	–	116,230,000	
Exercisable at the end of the year							5,499,000					16,233,000

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FOR THE YEAR ENDED 31 DECEMBER 2013

46. Share Option Scheme *(continued)*

The closing price of the shares on the date of grant was HK\$0.77 at 16 October 2012. Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	16 October 2012
Market price	HK\$0.770
Exercise price	HK\$0.800
Expected volatility	44.87%
Risk-free rate	0.66%
Expected dividend yield	5.195%

During the year ended 31 December 2012, the estimated fair value of the options at the date of grant is approximately RMB13,680,000. The Group recognised the total expense of approximately RMB8,756,000 for the year ended 31 December 2013 (2012: RMB5,180,000) in relation to share options granted by the Company.

47. Retirement Benefits Plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes lower of 5% of relevant payroll costs or HK\$1,250 per person per month to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiary is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

48. Contingent Liabilities

	2013	2012
	RMB'000	RMB'000
(i) Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	3,162,990	2,750,751

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

48. Contingent Liabilities (continued)

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

	2013 RMB'000	2012 RMB'000
(ii) Financial guarantees given to bank for the banking facilities granted to Novena	535,132	–
(iii) During the year ended December 31, 2012, Shenzhen Buji Water Supplies initiated a legal proceeding against a non-wholly owned subsidiary of the Group, in relation to a water supply contract dispute for a compensation of RMB10,900,000, which included alleged non-payment of RMB2,600,000 and alleged late payment of RMB8,300,000. Up to the date these consolidated financial statements were authorised for issuance, the procedure of the first instance at Shenzhen Longguan Court has finished, however, the outcome of this legal proceeding is yet to be finalised. With reference to the current situation and based on a legal advice obtained by the Group, the Directors of the Company consider that no provision for the litigation is required.		

49. Related Party Disclosures

- (a) During the year, in addition to those disclosed in elsewhere at the consolidated financial statements, the Group had significant transactions with related parties as follows:

Related parties	Relationship	Transactions	2013 RMB'000	2012 RMB'000
Huidong Dayawan San Jiao Zhou Company Limited 惠東縣大亞灣三角洲俱樂部有限公司	Company controlled by Ms. Zeng Jie, Baby, a controlling shareholder and director of the Company	Management service fee recognised	95	612
Shenzhen Xi Fu Hui Club Management Company Limited 深圳喜福會會所管理有限公司	Company controlled by Ms. Zeng Jie, Baby, a controlling shareholder and director of the Company	Property rental income recognised	–	301
Cube Architecture	An associate of Shenzhen Tiankuo Investment Development Company Limited (深圳市天濶投資發展有限公司), a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Design services fee incurred	2,118	1,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

49. Related Party Disclosures *(continued)*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefit	54,426	50,422
Post-employment benefit	8,102	7,501
Share-based payment	5,639	4,803
	68,167	62,726

(c) Others

As at 31 December 2013, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB53,552,000 (2012: RMB620,000,000) in aggregate.

During the year ended 31 December 2013, the Group had sold certain properties to its key management personnels (not including the directors of the Company) of the Group, at a cash consideration of approximately RMB10,803,000.

During the year ended 31 December 2012, the Group sold certain properties to two directors of the Company, at a cash consideration of approximately RMB8,629,000, and also had sold certain properties to its key management personnels (excluding the aforesaid directors) of the Group, at a cash consideration of approximately RMB17,536,000.

50. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the Group entered into a sales and purchase agreement with a contractor for the sale of properties amounting to approximately RMB280,000,000 in exchange for the construction work provided by the contractor equivalent to approximately RMB280,000,000.

During the year ended 31 December 2013, the Group entered into a finance lease agreement for purchase of transportation equipment amounting to approximately RMB223,700,000.

During the year ended 31 December 2013, the Group recognised investment income amounting to approximately RMB246,161,000 for return on receivables from Pixian Government, the amount has not been received by 31 December 2013.

51. Particulars of Principal Subsidiaries of the Company

51.1 General Information of subsidiaries

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
Winning Sky International Limited ^Δ	The BVI 8 March 2006	US\$100	100%	100%	Investment holding	Private limited liability
Fantastic Victory Limited ^Δ	The BVI 3 September 2007	US\$100	100%	100%	Investment holding	Private limited liability
Wisdom Regal Limited ^Δ	The BVI 3 September 2007	US\$100	100%	100%	Investment holding	Private limited liability
Colour Life Services Group Co., Ltd ("Colour life Services") ^Δ	The Cayman Islands 16 March 2011	HK\$1,000	67%	70%	Investment holding	Private limited liability
Ace Link Pacific Limited [#]	The BVI 3 September 2007	US\$100	100%	100%	Investment holding	Private limited liability
Precise Idea Limited ^Δ	The BVI 17 June 2009	US\$1	100%	100%	Investment holding	Private limited liability
Talent Bright International Limited ^Δ	The BVI 17 June 2009	US\$1	100%	100%	Investment holding	Private limited liability
香港花樣年投資控股集團有限公司 Fantasia Investment Holdings Company Limited ("Fantasia Investment Holdings")	Hong Kong 19 February 2001	HK\$10,000	100%	100%	Investment holding	Private limited liability
悅泰投資有限公司 Joytime Investment Limited	Hong Kong 6 November 2007	HK\$10,000	100%	100%	Investment holding	Private limited liability
金展集團有限公司 Gold Genius Holdings Limited [#]	Hong Kong 8 November 2007	HK\$10,000	100%	100%	Investment holding	Private limited liability
花樣年酒店管理(國際)有限公司 Fantasia Hotel Management (International) Company Limited	Hong Kong 15 July 2009	HK\$1	100%	100%	Investment holding	Private limited liability
花樣年物業管理(國際)有限公司 Fantasia Property Management (International) Company Limited	Hong Kong 15 July 2009	HK\$1	100%	100%	Investment holding	Private limited liability

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
香港康年貿易有限公司 Hong Kong Kangnian Trading Company Limited	Hong Kong 24 September 2009	US\$500,000	100%	100%	Trading and investment holding	Private limited liability
花樣年集團(中國)有限公司 Fantasia Group (China) Company Limited*	The PRC 20 January 2006	RMB1,624,843,500	100%	100%	Investment holding and property development	Limited liability company
天津松江花樣年置業有限公司 Tianjin Songjiang Fantasia Real Estate Company Limited* ("Tianjin Songjiang")	The PRC 29 May 2006	RMB50,000,000	60%	60%	Property development	Limited liability company
深圳市花樣年地產集團有限公司 Shenzhen Fantasia Real Estate Group Limited* ("Shenzhen Fantasia")	The PRC 28 September 1996	RMB150,000,000	100%	100%	Investment holding, property development and investment	Limited liability company
深圳市彩生活服務集團有限公司 Shenzhen Fantasia Colour Life Service Group Limited**	The PRC 25 August 2006	RMB15,000,000	100%	100%	Investment holding	Limited liability company
惠州大亞灣花萬裏實業有限公司 Huizhou Daya Bay Huawanli Industry Company Limited*	The PRC 8 June 2007	RMB51,000,000	100%	100%	Property development	Limited liability company
天津市花樣年投資有限公司 Tianjin Fantasia Investment Company Limited*	The PRC 12 June 2006	RMB100,000,000	100%	100%	Property development	Limited liability company
成都通和置業有限公司 Chengdu Tonghe Real Estate Company Limited*	The PRC 18 October 2001	RMB75,610,000	100%	100%	Property development and investment	Limited liability company
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Company Limited*	The PRC 28 August 2006	RMB660,339,487	100%	100%	Investment holding	Limited liability company
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Company Limited*	The PRC 1 July 1994	RMB946,843,500	100%	100%	Property development and investment	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
深圳宏威裝飾設計工程有限公司 Shenzhen Hongwei Decoration & Designing Company Limited*	The PRC 25 May 1994	RMB10,000,000	100%	100%	Provision of interior design services	Limited liability company
深圳市花樣年物業管理有限公司 Shenzhen Fantasia Property Management Company Limited**	The PRC 11 December 2000	RMB5,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Company Limited**	The PRC 12 June 2007	RMB10,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited**	The PRC 15 November 2001	RMB5,000,000	100%	100%	Provision of security system design installation and maintenance services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liantang Property Management Company Limited**	The PRC 16 November 1999	RMB5,500,000	100%	100%	Provision of property operation services	Limited liability company
花樣年實業發展(成都)有限公司 Fantasia (Chengdu) Development Company Limited*	The PRC 4 July 2001	RMB50,000,000	100%	100%	Property development and investment	Limited liability company
花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Development Company Limited*	The PRC 7 September 2006	RMB1,344,970,000	100%	100%	Property development	Limited liability company
成都花萬裏置業有限公司 Chengdu Huawanli Real Estate Company Limited*	The PRC 25 October 2005	RMB100,000,000	100%	100%	Property development and investment	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Company Limited*	The PRC 6 November 2006	RMB704,680,000	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Company Limited*	The PRC 22 May 2003	RMB270,000,000	100%	100%	Property development	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
東莞市花樣年房地產投資有限公司 Dongguan Fantasia Real Estate Investment Company Limited*	The PRC 4 December 2006	RMB30,000,000	100%	100%	Property development	Limited liability company
雅浩科技發展(深圳)有限公司 Yahao Technology Development (Shenzhen) Company Limited**	The PRC 25 August 2005	HKD1,000,000	100%	100%	Investment holding	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited*	The PRC 9 February 2007	RMB100,000,000	100%	100%	Property development and investment	Limited liability company
四川西美投資有限公司 Sichuan Ximei Investment Company Limited*	The PRC 7 June 2004	RMB670,000,000	100%	100%	Property development	Limited liability company
天津福大房地產銷售有限公司 Tianjin Fuda Real Estate Development Company Limited*	The PRC 18 October 2004	RMB45,000,000	100%	100%	Property development	Limited liability company
宜興市江南水鄉度假村有限公司 Yixing Jiangnan Shuixiang Tourism Resort Company Limited* ("Yixing Jiangnan")	The PRC 19 April 2005	RMB28,000,000	80%	60%	Property development	Limited liability company
深圳市星彥行置業有限公司 Shenzhen Xingyanhang Property Company Limited**	The PRC 23 April 2007	RMB4,000,000	92.65%	92.65%	Provision of agency services	Limited liability company
成都新津友幫房地產開發有限公司 Chengdu Xinjin Youbang Real Estate Development Company Limited*	The PRC 9 May 2004	RMB85,000,000	100%	100%	Property development	Limited liability company
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Company Limited*	The PRC 6 August 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Development Limited*	The PRC 22 August 2007	RMB320,000,000	100%	100%	Property development	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
深圳花樣年商業管理有限公司 Shenzhen Fantasia Business Management Company Limited*	The PRC 3 June 2009	RMB120,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市花樣年酒店管理有限公司 Shenzhen Fantasia Hotel Management Company Limited*	The PRC 3 June 2009	RMB100,000,000	100%	100%	Hotel services	Limited liability company
深圳市彩悅酒店管理有限公司 Shenzhen Caiyue Hotel Management Company Limited**	The PRC 20 August 2008	RMB100,000	–	100%	Hotel services	Limited liability company
深圳市彩悅酒店有限公司 Shenzhen Caiyue Hotel Company Limited**	The PRC 15 January 2009	RMB100,000	–	100%	Hotel services	Limited liability company
寧夏回族自治區新聖基建築工程有限公司 Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited*	The PRC 22 July 2009	RMB50,000,000	100%	100%	Provision of construction services	Limited liability company
深圳滙恒置業有限公司 Shenzhen Huiheng Property Company Limited*	The PRC 20 April 2006	RMB150,000,000	100%	100%	Property development	Limited liability company
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Company Limited.*	The PRC 14 August 2012	RMB100,000,000	100%	100%	Property development	Limited liability company
花千里投資(北京)有限公司 Huaqianli Investment (Beijing) Company Limited.*	The PRC 15 March 2012	RMB10,000,000	100%	100%	Investment holding	Limited liability company
蘇州花萬裡房地產開發有限公司 Suzhou Huawanli Real Estate Company Limited*	The PRC 9 September 2009	RMB180,000,000	100%	100%	Property development	Limited liability company
蘇州林甲岩房產發展有限公司 Suzhou LKN Real Estate Company Limited*	The PRC 5 July 1994	RMB180,599,652	100%	100%	Property development	Limited liability company
深圳市匯港物業管理有限公司 Shenzhen Hui Gang Property Management Company Limited**	The PRC 12 April 2002	RMB3,000,000	75%	75%	Provision of property operation services	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
深圳市蓮塘物業管理有限公司 Shenzhen Liangtang Property Management Company Limited*	The PRC 16 November 1999	RMB5,500,000	100%	100%	Provision of property operation services	Limited liability company
成都市花樣年物業服務有限公司 Chengdu Fantasia Property Service Company Limited*	The PRC 23 December 2009	RMB5,000,000	100%	100%	Provision of property operation services	Limited liability company
東莞花千里房地產開發有限公司 Dongguan Huaqianli Property Development Company Limited*	The PRC 30 April 2012	RMB30,000,000	100%	100%	Property development	Limited liability company
深圳高華投資有限公司 Shenzhen Gaohua Investment Limited*	The PRC 12 March 2012	RMB200,000,000	100%	100%	Investment holding, property development and investment	Limited liability company
成都市諾亞舟實業有限公司 Chengdu Nuoyazhou Development Company Limited*	The PRC 17 June 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
江蘇東發置業有限公司 Jiangsu Dongfa Real Estate Company Limited*	The PRC 2 March 2009	RMB20,000,000	100%	100%	Property development	Limited liability company
桂林萬豪房地產開發有限公司 Guilin Wanhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	100%	Property development	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	100%	Property development	Limited liability company
成都花港置業有限公司 Chendu Huagang Real Estate Company Limited*	The PRC 14 April 2013	RMB200,000,000	100%	100%	Property development	Limited liability company
TCL王牌電子(深圳)有限公司 TCL King Electronics (Shenzhen) Company Limited*	The PRC 9 October 1981	HKD100,000,000	57%	100%	Property development	Limited liability company
惠州市友鄰物業管理有限公司 Huizhou Youling Property Management Company Limited**	The PRC 13 June 2008	RMB500,000	100%	100%	Provision of property operation services	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
天津新塘物業管理有限公司 Tianjin Xintang Property Management Company Limited**	The PRC 21 May 2007	RMB500,000	100%	100%	Provision of property operation services	Limited liability company
Fantasia Investment (Singapore) Pte.Ltd.	Singapore 28 September 2012	SGD1,000,000	100%	100%	Property development	Private limited liability
深圳市同之年股權投資基金管理有限公司 Shenzhen Tongzhinian Equity Investment Fund Management Company Limited*	The PRC 20 August 2012	RMB10,000,000	54%	54%	Investment holding	Limited liability company
深圳市花樣年股權投資基金管理有限公司 Shenzhen Fantasia Equity Investment Fund Management Company Limited*	The PRC 15 May 2012	RMB10,000,000	100%	100%	Investment holding	Limited liability company
惠州市花樣年房地產開發有限公司 Huizhou Fantasia Property Development Company Limited*	The PRC 23 March 2012	RMB1,000,000	100%	100%	Property development	Limited liability company
深圳市羅伯特管家物業管理有限公司 Shenzhen Robert Housekeeper Property Management Company Limited**	The PRC 9 April 2002	RMB1,000,000	–	51%	Provision of property operation services	Limited liability company
鐵嶺正南物業管理有限公司 Tieling Zhengnan Property Management Company Limited**^	The PRC 18 March 2008	RMB500,000	51%	–	Provision of property operation services	Limited liability company
南京花樣年物業管理有限公司 Nanjing Fantasia Property Management Company Limited**^	The PRC 29 June 2000	RMB5,000,000	100%	–	Provision of property operation services	Limited liability company
陝西中強物業管理有限公司 Shaanxi Zhongqiang Property Management Company Limited**^	The PRC 8 September 2003	RMB3,000,000	100%	–	Provision of property operation services	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
河源市華達物業管理有限公司 Heyuan Huada Property Management Company Limited**^	The PRC 12 June 2002	RMB3,000,000	100%	–	Provision of property operation services	Limited liability company
秦皇島市宏添源物業服務有限公司 Qinhuangdao Hongtianyuan Property Service Company Limited**^	The PRC 25 October 2005	RMB5,000,000	51%	–	Provision of property operation services	Limited liability company
至卓飛高線路板(深圳)有限公司 Topsearch Printed Circuits (Shenzhen) Ltd ("Topsearch Printed Circuits")**^	The PRC 25 September 1987	RMB391,093,510	61%	–	Property development	Limited liability company
花萬裡投資(北京)有限公司 Huawanli Investment (Beijing) Company Limited**^	The PRC 13 September 2012	RMB779,150,000	100%	–	Property development	Limited liability company
深圳市花萬裡酒店管理有限公司 Shenzhen Huawanli Hotel* Management Company Limited	The PRC 23 October 2013	RMB1,000,000	100%	–	Hotel Management	Limited liability company
深圳市花樣年養生養老管理有限公司 Shenzhen Fantasia Senior Housing Management Company Limited*	The PRC 23 October 2013	RMB1,000,000	100%	–	Investment holding	Limited liability company
深圳市花樣年文化旅遊管理有限公司 Shenzhen Fantasia Culture Tourism Management Company Limited*	The PRC 15 October 2013	RMB1,000,000	100%	–	Investment holding	Limited liability company
深圳市花萬裡商業管理有限公司 Shenzhen Huawanli Commercial Management Company Limited*	The PRC 15 October 2013	RMB1,000,000	100%	–	Investment holding	Limited liability company
大理市花千里文化旅遊開發有限公司 Dali Huaqianli Cultural Tourism Development Company Limited*	The PRC 4 July 2013	RMB100,000,000	100%	–	Investment holding	Limited liability company
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Company Limited*	The PRC 28 June 2013	RMB20,000,000	100%	–	Property development	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
蘇州銀莊置地有限公司 Suzhou Yinzhuang Real Estate Company Limited**	The PRC 25 January 2006	RMB500,000,000	100%	–	Property development	Limited liability company
深圳市騰星宏達投資發展有限公司 Shenzhen Tengxing Hongda Investment Company Limited**	The PRC 26 September 2012	RMB 95,800,000	60%	–	Property development	Limited liability company
深圳市越華創新科技工業城有限公司 Shenzhen Yuehua new technology Industry Company Limited*	The PRC 15 September 2004	RMB62,500,000	100%	100%	Property development	Limited liability company
深圳市生百景投資發展有限公司 Shenzhen Shengbaijing Investment Development Company Limited*	The PRC 20 June 2012	RMB78,000,000	100%	–	Property development	Limited liability company
深圳市花樣祥投資發展有限公司 Shenzhen Huayangxiang Investment Development Company Limited*	The PRC 22 May 2013	RMB10,000,000	100%	–	Property development	Limited liability company
天歌電子有限公司 Twinkle Electronic Company Limited*	Hong Kong 20 August 1992	RMB7,268	100%	–	Property development	Limited liability company
深圳安博電子有限公司 Shenzhen Anbo Electronic Company Limited*	The PRC 17 August 1994	RMB87,000,000	100%	–	Property development	Limited liability company
Charmfull Limited	The BVI 1 August 2012	USD6,317,460	100%	–	Investment holding	Limited liability company
Bright Star Creation Limited	Hong Kong 28 July 2010	HKD100	100%	–	Investment holding	Limited liability company
深圳市中稷玉石房地產開發有限公司 Shenzhen Zhongji Jade Property Development Company Limited*	The PRC 17 November 2006	RMB10,000,000	100%	–	Property development	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

51. Particulars of Principal Subsidiaries of the Company (continued)

51.1 General Information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group		Principal activities	Legal form
			2013	2012		
寧波世紀華豐房產有限公司 Ningbo Century Huafeng Property Management Company Limited*	The PRC 25 March 2010	RMB427,500,000	100%	–	Property development	Limited liability company
南京名城物業管理有限公司 Nanjing Mingcheng Property Management Company Limited*	The PRC 30 May 2005	RMB5,000,000	90%	–	Provision of property operation services	Limited liability company
協和高爾夫(上海)有限公司 Xiehe Golf (Shanghai) Company Limited*	The PRC 27 December 1994	RMB85,328,000	100%	–	Golf course services	Limited liability company
陝西彩生活社區服務有限公司 ^{△△} Shaanxi Caishenghuo Community Services Company Limited ^{△△}	The PRC 25 March 2009	RMB3,000,000	51%	–	Provision of property operation services	Limited liability company
南京慧韜物業管理服務有限公司 [△] Nanjing Huitao Property Management Services Company Limited [△]	The PRC 29 September 2006	RMB5,000,000	90%	–	Provision of property operation services	Limited liability company
無錫市太湖花園物業管理有限責任公司 Wuxi Taihu Garden Property Management Company Limited*	The PRC 8 September 1997	RMB3,000,000	80%	–	Provision of property operation services	Limited liability company
上海欣周物業管理有限公司 [△] Shanghai Xinzhou Property Management Company Limited*	The PRC 21 September 1999	RMB3,000,000	70%	–	Provision of property operation services	Limited liability company
南京錦江物業管理有限公司 [△] Nanjing Jinjiang Property Management Company Limited*	The PRC 26 June 2001	RMB 5,000,000	90%	–	Provision of property operation services	Limited liability company

* The English name is for identification purpose only.

[#] These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life Services at 31 December 2013 and 2012.

[△] These subsidiaries were acquired during the year ended 31 December 2013. Details are set out in note 42.

^{△△} Except for these subsidiaries were directly held by the Company, all other subsidiaries are indirectly owned by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

51. Particulars of Principal Subsidiaries of the Company (continued)

51.2 Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follow:

Principal activities	Principal place of business	Number of subsidiaries	
		2013	2012
Investment holding	BVI	28	20
	Hong Kong	19	13
	PRC	22	19
	Singapore	1	1
Property development	PRC	58	41
Property investment	PRC	1	1
	Japan	1	1
Property agency services	PRC	1	1
Property operation service	PRC	36	27
Hotel operation	PRC	5	5
		172	129

51.3 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2013 and 2012 that have material non-controlling interest.

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by		Profit (loss) attributable to non-controlling interest		Accountants non-controlling interests	
		2013	2012	2013	2012	2013	2012
Tianjin Songjiang	The PRC	40%	40%	(10,158)	(24,649)	59,092	69,250
Yixing Jianguan	The PRC	20%	40%	(2,352)	(7,306)	33,109	31,666
Topsearch Printed Circuits	The PRC	39%	39%	(686)	-	74,712	75,397
				(11,960)	(31,955)	150,359	176,313
Individually immaterial subsidiaries with non-controlling interests				27,113	18,363	360,518	143,723
				15,153	(13,592)	510,877	320,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

51. Particulars of Principal Subsidiaries of the Company *(continued)*

51.3 Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intra group eliminations.

	Tianjin Songjiang		Yixing Jiangnan		Topseach Printed Circuits	
	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	88,868	245,562	107,572	91,957	523,865	9,654
Non-current assets	237,519	238,860	58,408	62,544	512	183,672
Current liabilities	178,658	311,297	54,485	75,337	156,708	–
Non-current liabilities	–	–	28,720	–	176,100	–
Equity attributable to owners						
of the Company	88,637	103,875	66,220	47,498	116,857	117,929
Non-controlling interests	59,092	69,250	16,555	31,666	74,712	75,397
Revenue	2,017	23,361	741	7,467	–	–
Cost of sales	(18,473)	(75,857)	–	(9,128)	–	–
Expenses	(8,940)	(9,127)	(6,622)	(16,604)	(1,758)	–
Loss for the year	(25,396)	(61,623)	(5,881)	(18,265)	(1,758)	–
Loss attributable to the owners						
of the Group	(15,238)	(36,974)	(4,465)	(10,959)	(1,072)	–
Loss for the year attributable to the non-controlling interests	(10,158)	(24,649)	(1,116)	(7,306)	(686)	–
Net cash outflow from operating activities	(85,601)	(10,120)	(18,885)	(19,861)	(49,221)	–
Net cash (outflow) inflow from investing activities	–	(28,227)	–	4,609	–	–
Net cash inflow (outflow) from financing activities	86,953	19,480	18,613	(716)	96,101	–
Net cash (outflow) inflow	(1,352)	(18,866)	(272)	(15,968)	46,879	–

52. Information about the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1,565,920	1,196,233
Amounts due from subsidiaries	5,776,349	4,263,648
	7,342,269	5,459,881
CURRENT ASSETS		
Other receivables	5,351	1,204
Banks balances and cash	37,449	248,259
	42,800	249,463
CURRENT LIABILITIES		
Amounts due to subsidiaries	161,530	204,208
Accruals	6,113	5,745
	167,643	209,953
NET CURRENT (LIABILITIES) ASSETS	(124,843)	39,510
TOTAL ASSETS LESS CURRENT LIABILITIES	7,217,426	5,499,391
NON-CURRENT LIABILITY		
Senior notes	4,843,390	2,329,003
	2,374,036	3,170,388
CAPITAL AND RESERVES		
Share capital	429,575	457,093
Reserves	1,944,461	2,713,295
	2,374,036	3,170,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

52. Information about the Statement of Financial Position of the Company

(continued)

Movement of capital and reserves:

	Share capital RMB'000	Share premium RMB'000	Accumulated profits RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2012	457,093	2,620,084	203,870	2,240	3,283,287
Profit and total comprehensive income for the year	–	–	50,780	–	50,780
Recognition of equity-settled share-based payments (note 46)	–	–	–	5,180	5,180
Dividend paid to shareholders of the Company (note 13)	–	(168,859)	–	–	(168,859)
At 31 December 2012	457,093	2,451,225	254,650	7,420	3,170,388
Loss and total comprehensive expense for the year	–	–	(202,676)	–	(202,676)
Recognition of equity-settled share-based payments (note 46)	–	–	–	8,756	8,756
Dividend distributed to shareholders of the Company (note 13)	–	(228,576)	–	–	(228,576)
Share repurchased and cancelled (note 41)	(27,518)	(346,338)	–	–	(373,856)
At 31 December 2013	429,575	1,876,311	51,974	16,176	2,374,036

53. Events after the Reporting Period

On 6 January 2014, the Group announced for the acquisition of Huizhou TCL Real Estate Development Co., Ltd (惠州TCL房地產開發有限公司) and its subsidiaries with certain indebtedness from third parties (the "Acquisition") at a cash consideration of approximately RMB164,110,000,000 and issue 863,600,074 new shares of the Company to a vendor of the Acquisition. At the date these consolidated financial statements were authorised for issue, the Acquisition has not been completed.

On 22 January 2014, the Company issued additional senior notes with principal amount of US\$250,000,000 at an issue price of 100% of the face value of the notes, which are unsecured and bear coupon interest at 10.75% per annum payable semi-annually in arrears and are due on 22 January 2020.

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