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Ronshine China Holdings Limited

融信中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3301)

OVERSEAS REGULATORY ANNOUNCEMENT

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

Reference is made to the announcements of Ronshine China Holdings Company Limited (the “**Company**”) dated 28 November 2016 and 2 December 2016 in relation to the Notes Issue (the “**Announcements**”). All terms used herein have the same meaning as defined in the Announcements, unless otherwise defined.

Please refer to the attached offering memorandum in relation to the Notes (the “**Offering Memorandum**”), which is available on the website of the Singapore Exchange Securities Trading Limited as of 12 December 2016.

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

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

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

By order of the Board
Ronshine China Holdings Limited
Ou Zonghong
Chairman

Hong Kong, 12 December 2016

As at the date of this announcement, Mr. Ou Zonghong, Mr. Wu Jian, Mr. Lin Junling and Ms. Zeng Feiyan are the executive directors of the Company; and Mr. Lo, Wing Yan William, Mr. Ren Yunan and Mr. Qu Wenzhou are the independent non-executive directors of the Company.

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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.

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RONSHINE CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

US\$175,000,000

6.95% Senior Notes due 2019

Issue Price: 98.547%

Our US\$175,000,000 6.95% senior notes due 2019 (the “Notes”) will bear interest from December 8, 2016 at 6.95% per annum, payable semi-annually in arrears on June 8 and December 8 of each year, beginning June 8, 2017. The Notes will mature on December 8, 2019.

The Notes are senior obligations of Ronshine China Holdings Limited (the “Company”), guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors” and, such Guarantees, the “Subsidiary Guarantees”), 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.” 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 prior to maturity, we may at our option redeem up to 35% of the Notes, at a redemption price of 106.95% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date in each case, using the net cash proceeds from sales of certain kinds of capital stock of the Company. In addition, we may redeem the Notes, in whole but not in part, at any time prior to maturity, at a price equal to 100% of the principal amount of the Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. At any time on or after December 8, 2018, we may redeem any and all of the Notes at a redemption price of 103.475% plus accrued and unpaid interest to (but not including) the redemption date. 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. We shall, at the option of any holder of the Notes, repurchase all of the Notes held by such holder at any time on or after December 8, 2018 at 100.00% of the principal amount of such Notes plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

The Notes will be (1) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated indebtedness (as defined in the Indenture) of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (2) senior in right of payment to any future obligations of the Company expressly subordinated in right of payment to the Notes, (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 in “Description of the Notes”). 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” beginning on page 181.

Investing in the Notes involves risks. See the section entitled “Risk Factors” beginning on page 15.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Notes, the Company and/or the Subsidiary Guarantors.

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”), or under any securities law of any state or other jurisdiction of the United States, 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 offers and sale of the Notes and the distribution of this offering memorandum, see the section entitled “Plan of Distribution” and “Transfer Restrictions.”

The Notes are expected to be rated B+ by Fitch Ratings, B- by Standard & Poor’s Rating Services and B3 by Moody’s Investors Services. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號》) (the “NDRC Notice”) promulgated by National Development and Reform Commission (the “NDRC”) of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated November 2, 2016 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten PRC working days after the issue date of the Notes.

It is expected that the delivery of the Notes will be made on or about December 8, 2016 through the book-entry facilities of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

Joint Global Coordinators

UBS

Haitong International

Guotai Junan International

AMTD

Joint Lead Managers and Joint Bookrunners

UBS

Haitong International

Guotai Junan International

AMTD

ICBC International

The date of this offering memorandum is December 1, 2016

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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, UBS AG HONG KONG BRANCH AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, 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 UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, AMTD Asset Management Limited and ICBC International Securities Limited (the “Initial Purchasers”), Citicorp International Limited, as trustee (the “Trustee”), Citibank, N.A., London Branch, as paying and transfer agent (the “Paying Agent”) and registrar (the “Registrar”) 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 by the Initial Purchasers, the Trustee, the Paying Agent, the Registrar or any of their respective affiliates or advisors whether as to the past or the future.

You should rely only on the information contained in this offering memorandum. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this offering memorandum. 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 Trustee, the Paying Agent or the Registrar.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee, the Paying Agent, the Registrar or any person affiliated with the such persons 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 Trustee, the Paying Agent or the Registrar. Notwithstanding anything herein to the contrary, the Paying Agent and the Registrar are sole agents for the Company or the Trustee, as the case may be, and at no time assume duties, obligations or a position of trust for the holders of the Notes.

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. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. 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 Ronshine China Holdings Limited itself, or Ronshine China Holdings 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 its respective directors and advisors, and neither we, the Initial Purchasers nor our or its 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 RMB6.6459 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2016, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7591 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2016. 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 “2013,” “2014” and “2015” in this offering memorandum are to our financial years ended December 31, 2013, 2014 and 2015, respectively.

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.

References to “ASP” are to average selling prices.

References to “Huacao Group” are to Shanghai Kaiyu Property Development Co., Ltd. (上海愷譽房地產開發有限公司), Shanghai Kaichang Property Development Co., Ltd. (上海愷暢房地產開發有限公司),

Shanghai Kairi Property Development Co., Ltd. (上海愷日房地產開發有限公司) and Shanghai Kaichong property Development Co., Ltd. (上海愷崇房地產開發有限公司) which became our consolidated subsidiaries since March 2016 after the controlling rights of the jointly controlled projects have been transferred to our Group. We currently indirectly own a 50% equity interest in Shanghai Kaiyu Property Development Co., Ltd., Shanghai Kaichang Property Development Co., Ltd. and Shanghai Kairi Property Development Co., Ltd., respectively, and own a 25% equity interest in Shanghai Kaichong Property Development Co., Ltd.

References to “Perpetual Capital Instrument” are to the three perpetual capital instruments in an aggregate amount of RMB1.7 billion (US\$0.3 billion) which were issued during the first half of 2016 by some of our PRC subsidiaries, including Shanghai Qianpu Investment Consultancy Company Limited (上海謙莆投資諮詢有限公司), Rongxin Fujian and Hemei (Shanghai) Property Development Company Limited (和美 (上海) 房地產開發有限公司).

References to “Private Corporate Bonds” are to a series of private corporate bonds issued by Rongxin Fujian in an aggregate principal amount of RMB8.5 billion (US\$1.3 billion) to qualified investors only with a tenor of two to three years and at a coupon rate of 5.8% to 7.89% per annum.

References to “Public Corporate Bonds” are to a series of public corporate bonds issued by Rongxin Fujian in an aggregate principal amount of RMB2.5 billion (US\$0.4 billion) to qualified investors only with a tenor of five years and at a coupon rate of 6.2% to 6.4% per annum.

References to “Rongxin Fujian” are to Rongxin (Fujian) Investment Company Limited (融信 (福建) 投資集團有限公司), an indirect wholly owned PRC subsidiary of our Company.

References to “Shiou Group” are to Fujian Shiou Property Development Co., Ltd. (福州世歐房地產開發有限公司) and its subsidiaries, including Fujian Shiou Investment Company Limited (福建世歐投資發展有限公司) and Fuzhou Shiou Investment Development Company Limited (福州世歐投資發展有限公司), which collectively were the 50% owned joint ventures of our Group and became our 50% owned consolidated subsidiaries since March 2016 after the controlling rights of the jointly controlled projects have been transferred to our Group.

References to “sq.m.” are to square meters.

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:

- the performance and future developments of the property market in the PRC or any region in the PRC or elsewhere in which we engage in property development;
- our business and operating strategies and our ability to implement such strategies;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to further develop and manage our projects as planned;
- our capital expenditure plans, particularly plans relating to primarily land development, acquisition of land for our property development and the development of our projects;
- our operations and business prospects, including development plans for our existing and new businesses;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- the future competitive environment for the PRC property and retail industries;
- the regulatory environment in terms of changes in laws and PRC government regulations, policies, approval processes in the regions where we develop or manage our projects as well as the general outlook for the PRC property and retail industries;
- exchange rate fluctuations and restrictions;
- future developments and the competitive environment in the PRC property and retail industries;
- the general economic trend of the PRC and, in particular, the cities in which we operate; 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.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

There is uncertainty as to whether the courts of the Cayman Islands would (i) enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States; or (ii) entertain original actions brought in the courts of the Cayman Islands against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States.

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

There is also uncertainty as to whether the courts of the British Virgin Islands would (i) enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States; or (ii) entertain original actions brought in the courts of the British Virgin Islands against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States.

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

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

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

Further, we have been advised by our PRC legal adviser, FenXun Partners, that according to the Law on Civil Procedure of the PRC, in the case of an application or request for recognition and enforcement of a legally effective judgment or written order of a foreign court, the PRC courts shall, after examining in accordance with the international treaties concluded or acceded to by the PRC or with the principle of reciprocity and arriving at the conclusion that it does not contradict the primary principles of the law of the PRC nor violates state sovereignty, security and social and public interest of the country, recognize the validity of the judgment or written order, and, if required, issue a writ of execution to execute it in accordance with the relevant provisions of this Law; if the application or request contradicts the primary principles of the law of the PRC or violates state sovereignty, security and social and public interest of the country, the courts of the PRC shall not recognize and execute it. However, there is no bilateral or multilateral treaty concluded or accepted between the PRC and the United States as to the reciprocal enforcement of judgments with the United States. Therefore, there is uncertainty as to whether the courts of the PRC would (i) recognize each judgment made by the courts of U.S. Federal or New York State, (ii) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (iii) entertain original actions brought in the courts of the PRC against us or our directors and officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

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 property developer in the PRC that focuses on the development of residential properties in cities in the Western Taiwan Straits Economic Zone and selected first and second-tier cities. The Western Taiwan Straits Economic Zone is an area centered around the coastal areas of Fujian province and is often associated with entrepreneurship and economic growth.* We believe we have a leading market position in Fujian province and Fuzhou, the capital city of Fujian province. We were ranked first in Fujian province on the “Top 20 Real Estate Developers in Fujian province in 2016” list and 28th nationwide on the “Top 50 Real Estate Developers in China in 2016” list, jointly compiled by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Evaluation Center based on a comprehensive set of criteria, including size, risk management, profitability, growth potential, operating results, innovation and social responsibility. According to CRIC, based on pre-sale data reported by developers to the Fuzhou Real Estate Transaction Center as required by local regulations, we were ranked second in the urban districts (namely, Gulou, Taijiang, Cangshan, Mawei and Jin’an) of Fuzhou in terms of pre-sales in the six months ended June 30, 2016.** We have been listed on the Hong Kong Stock Exchange since January 2016. On September 5, 2016, we became a constituent stock of the Hang Seng Composite Small Cap Index.

We are primarily engaged in the development of mid to high-end residential properties targeting middle to upper-middle income households with a demand for home upgrades. We also develop commercial properties integrated with or in the vicinity of our residential properties, including office buildings, retail shops and other commercial properties, which we believe will not only diversify our source of income, but also enhance the attractiveness of and facilitate demand for our residential properties. We intend to sell the majority of our commercial properties while selectively holding certain properties as long-term investments.

We commenced our business in 2003 and have historically focused our property development in the Western Taiwan Straits Economic Zone, capturing the opportunities presented by its rapidly growing economy. We have a well-established development portfolio in this area, including projects in Fuzhou, Zhangzhou and Xiamen. Leveraging our success and experience in the Western Taiwan Straits Economic Zone, we have expanded into Shanghai and Hangzhou, which are important economic centers in the Yangtze River Delta. We intend to solidify our market position in the Western Taiwan Straits Economic Zone and enhance our position in Shanghai and Hangzhou while further expanding in a prudent manner into other first and second-tier cities.

We believe our success is attributable to our product quality and strong brand name. We focus on developing properties that cater to the demand of our target customers for high-quality homes that feature appealing designs, convenience and comfort, and adjust our property offerings based on customer feedback through market surveys and research on the latest market trends and development. As a result, we have received various awards in recognition of our product quality and our achievements as a property developer. We also strive to shorten our project development cycle to improve our operating efficiency, expedite asset turnover,

* Encompassing certain cities and areas in Fujian, Zhejiang, Guangdong and Jiangxi provinces. See the section headed “Industry Overview—Development of the Western Taiwan Straits Economic Zone.”

** For purposes of this ranking, all pre-sale results of Shiou Group, our 50%-owned joint venture before March 2016 and became our subsidiaries since March 2016, were attributed to us. Our ranking would remain first with only 50% of the pre-sale results of Shiou Group attributed to us, based on our internal calculations.

enhance liquidity position and achieve sustainable growth, by adopting standardized property development procedures and closely monitoring the entire property development cycle. We typically target to commence pre-sale of a property within 130 days from the commencement of construction.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our revenue was RMB2,128.9 million, RMB4,099.2 million, RMB7,414.6 million (US\$1,115.7 million), RMB2,106.5 million and RMB6,983.4 million (US\$1,050.8 million), respectively, and the profit attributable to our owners was RMB517.7 million, RMB506.5 million, RMB1,432.8 million (US\$215.6 million), RMB288.8 million and RMB858.2 million (US\$129.1 million), respectively.

PROPERTY DEVELOPMENT PROJECTS

As of June 30, 2016, we had 39 property development projects, through our subsidiaries, that are at various stages of development, including 17 located in Fuzhou, two in Xiamen, five in Zhangzhou, six in Shanghai and nine in Hangzhou. As of the same date, we had four projects we jointly controlled with other property developers and one project we operated with another property developer in which we had no control in the same region. The table below sets forth a breakdown of these categories of projects as of June 30, 2016:

	Number of projects	Total GFA attributable to us	
		(sq.m.)	(%)
Projects held by our subsidiaries	39	5,407,676	84.8
Projects held by our joint ventures	4	762,346	11.9
Projects held by our associated company.	1	208,044	3.3
	<u>44</u>	<u>6,378,066</u>	<u>100.0</u>

As of June 30, 2016, the projects we developed through our subsidiaries, had an estimated total GFA attributable to us of approximately 5.4 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.3 million sq.m., properties under development with an aggregate GFA attributable to us of approximately 2.8 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 2.3 million sq.m. As of the same date, the projects developed by our joint ventures had an estimated total GFA attributable to us of approximately 0.8 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.1 million sq.m., completed GFA held for investment with an aggregate GFA attributable to us of approximately 0.7 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 0.2 million sq.m., and the project developed by our associated company had an estimated total GFA attributable to us of approximately 0.2 million sq.m., including properties under development with an aggregate GFA attributable to us of approximately 0.17 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 0.04 million sq.m.

As of June 30, 2016, our properties held for future development included an aggregate estimated GFA attributable to us of approximately 1.3 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts and had either paid the relevant land premiums and were awaiting the relevant government agencies to issue the land use rights certificates or had not paid the relevant land premiums because (a) the relevant local governments had extended the relevant payment period as they had not completed resettlement and infrastructure work in relation to the land parcels or (b) the relevant land premiums had not become due.

OUR BUSINESS STRENGTHS

We believe that our market position is principally attributable to the following competitive strengths:

- strong development capabilities with a track record of success in developing mid to high-end residential properties in the Western Taiwan Straits Economic Zone;
- quality land bank providing long-term development and growth opportunities;

- strong executive capabilities underpinned by standardized development procedures targeting to expedite asset turnover and enhance operating efficiency;
- well-recognized brand name with high quality projects facilitating expansion into new markets;
- comprehensive business operation management with prudent and effective management systems;
- diversified funding channels with strong financing capabilities; and
- sound corporate governance led by visionary, motivated and stable management team.

OUR BUSINESS STRATEGIES

Our goal is to become one of the most competitive and reputable property developers in the PRC. To achieve our goal, we intend to implement the following strategies:

- enhance our presence in existing markets and strategically expand into other first and second-tier cities while maintaining financial stability;
- adhere to prudent financial policy and adopt a proactive approach to capital structure management;
- continue to improve operating efficiency and expedite asset turnover;
- continue to focus on residential property development while pursuing product diversification; and
- continue to promote our brand recognition and image.

RECENT DEVELOPMENTS

Rongxin Fujian 2016 Asset-backed Securities

Rongxin Fujian, our wholly owned subsidiary, issued three tranches of asset-backed securities with an aggregate principal amount of RMB880.0 million (US\$132.4 million) in the PRC in July 2016 (the “Rongxin Fujian 2016 Asset-backed Securities”). The first tranche has a principal amount of RMB572.0 million (US\$86.1 million) with a coupon rate of 4.8% per annum and a term of three years. The second tranche has a principal amount of RMB255.2 million (US\$38.4 million) with a coupon rate of 5.4% per annum and a term of three years. The last tranche has a principal amount of RMB52.8 million (US\$7.9 million) with a term of three years, which was issued to our Company at a zero coupon rate. The Rongxin Fujian 2016 Asset-backed Securities are backed by certain account receivables for the balance payment of properties sold. The proceeds from the issuance of such securities are used for general working capital purposes. We provide guarantees for the punctual performance by Rongxin Fujian of its shortfall payment obligations.

Acquisition of Land in Shanghai

On August 17, 2016, we acquired the land use rights in respect of a parcel of land in Zhongxing district, Jing'an, Shanghai, the PRC through an auction process. The consideration for the acquisition was approximately RMB11.0 billion (US\$1.7 billion). The site area of this parcel of land is approximately 31,034.1 sq.m. We expect that the GFA of properties to be constructed on this parcel of land will be approximately 116,704 sq.m. We expect to develop this parcel of land into residential properties, commercial premises and carpark spaces.

GENERAL INFORMATION

We were incorporated in the Cayman Islands on September 11, 2014, as an exempted limited liability company. Our shares have been listed on The Stock Exchange of Hong Kong Limited since January 13, 2016.

Our principal place of business in the PRC is at 6th Floor, Tower T1, Hongqiao Vanke Centre, No.988 Shen Zhang Road, Minhang District, Shanghai, the PRC. Our place of business in Hong Kong is at 18th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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.rongxingroup.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

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

Issuer	Ronshine China Holdings Limited.
Notes Offered	US\$175,000,000 aggregate principal amount of 6.95% Senior Notes due December 8, 2019 (the “Notes”).
Offering Price	98.547% of the principal amount of the Notes.
Maturity Date	December 8, 2019.
Interest	The Notes will bear interest from and including December 8, 2016 at the rate of 6.95% per annum, payable semi-annually in arrears.
Interest Payment Dates	June 8 and December 8 of each year, commencing June 8, 2017.
Ranking 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 <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 the limitations described below under “Description of the Notes—The Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;” • effectively subordinated to all existing and future 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 (except for the Collateral); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the Description of the Notes).
Subsidiary Guarantees	Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

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

The initial Subsidiary Guarantors will consist of all of the Company’s Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC.

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, other than PRC Restricted Subsidiaries, Exempted Subsidiaries and Listed Subsidiaries, will provide a guarantee of 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 or a Listed Subsidiary.

Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such Person becomes a Restricted Subsidiary (each such Person, an “Offshore Non-Guarantor Subsidiary” and, together with the PRC Non-Guarantor Subsidiaries, the “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 (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for 20% of the Total Assets of the Company.

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

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (except for 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;
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and

- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgor, the Subsidiary Guarantee of the Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under “Description of the Notes—Security;” and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

JV Subsidiary Guarantees A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor following (i) 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 Subsidiary Guarantor or (ii) a purchase by the Company or any of its Restricted Subsidiaries of the Capital Stock in an Independent Third Party, such that such Independent Third Party will become a Restricted Subsidiary following such purchase. 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;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations 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 may also deliver a JV Subsidiary Guarantee instead of a Subsidiary Guarantee on substantially similar conditions for certain Restricted Subsidiaries that are established after the Original Issue Date.

Security 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 “Description of the Notes—Security” and will:

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

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgor to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (collectively, the “Collateral”) owned by the Company or the Subsidiary Guarantor Pledgor on a first priority basis in order to secure the obligations of the Company under the Notes and of the 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 Company and the Subsidiary Guarantor Pledgor may incur Permitted *Pari Passu* Secured Indebtedness, which would be secured by the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees. See “Description of the Notes—Security.”

Use of Proceeds We intend to use the net proceeds for general corporate purposes.

Optional Redemption At any time prior to December 8, 2019, 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, as set forth in “Description of the Notes—Optional Redemption.”

At any time and from time to time prior to December 8, 2019, 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 (as defined in the “Description of the Notes”) of the Company in an equity offering at a redemption price of 106.95% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, if any, to (but not including) the redemption date, subject to certain conditions.

At any time on or after December 8, 2018, the Company may redeem any and all of the Notes at a redemption price of 103.475% plus accrued and unpaid interest to (but not including) the redemption date.

Repurchase of Notes Upon a Change of Control Triggering Event Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Repurchase at the Option of holders of the Notes The Company shall, at the option of any Holder, repurchase all of the Notes held by such Holder at any time on or after December 8, 2018 at 100.00% of the principal amount of such Notes plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

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

Covenants The Notes, the Indenture governing the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified 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 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 the Global Certificate deposited with a common depositary and registered in the name of the common depositary or its nominee. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. 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 December 8, 2016, which the Company expects will be the fifth business day following the date of this offering circular referred to as “T+5.” You should note that initial trading of the Notes may be affected by the “T+5” settlement. See “Plan of Distribution.”
Trustee	Citicorp International Limited
Paying Agent and Transfer Agent	Citibank, N.A., London Branch
Security Agent	Citicorp International Limited
Registrar	Citibank, N.A., London Branch
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes 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, the Notes will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes will be traded in a minimum board lot size of US\$200,000.

Ratings The Notes are expected to be rated B+ by Fitch Ratings, B- by Standard & Poor's Rating Services and B3 by Moody's Investors Services. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

Security Codes ISIN: XS1528955773
Common Code: 152895577

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.

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

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statements and other financial data for 2013, 2014 and 2015 and the six months ended June 30, 2015 and the summary consolidated balance sheets data as of December 31, 2013, 2014 and 2015 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such periods and as of such dates, as audited by PricewaterhouseCoopers, the independent Certified Public Accountants, and included elsewhere in this offering memorandum. The summary consolidated income statement and other financial data for the six months ended June 30, 2016 and the summary consolidated balance sheet data as of June 30, 2016 set forth below (except for EBITDA data) have been derived from our unaudited interim condensed consolidated financial information for such period and as of such date, as reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Results for the interim period are not indicative of the results for the year. 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 INCOME STATEMENTS AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(unaudited)		(unaudited)	(unaudited)
Revenue	2,128,898	4,099,230	7,414,576	1,115,662	2,106,515	6,983,410	1,050,785
Cost of sales	(1,374,229)	(2,959,228)	(4,700,368)	(707,258)	(1,485,204)	(5,698,424)	(857,435)
Gross profit	754,669	1,140,002	2,714,208	408,403	621,311	1,284,986	193,350
Selling and marketing costs	(174,493)	(288,873)	(395,833)	(59,560)	(166,162)	(237,573)	(35,747)
Administrative expenses	(150,337)	(267,006)	(273,020)	(41,081)	(119,820)	(183,373)	(27,592)
Fair value gains on the remeasurement of joint ventures	—	—	—	—	—	278,074	41,841
Fair value gains on investment properties	—	—	—	—	—	9,000	1,354
Other income	3,396	3,729	7,320	1,101	4,716	4,750	715
Operating profit	433,235	587,852	2,052,675	308,863	340,045	1,155,864	173,921
Finance income/(costs)—net	2,071	5,025	(11,176)	(1,682)	5,674	41,274	6,210
Share of profits of investments accounted for using the equity method, net	324,204	240,724	422,539	63,579	116,772	305,241	45,929
Profit before income tax	759,510	833,601	2,464,038	370,760	462,491	1,502,379	226,060
Income tax expenses	(243,782)	(331,962)	(1,058,097)	(159,210)	(181,407)	(485,585)	(73,065)
Profit for the year/period	515,728	501,639	1,405,941	211,550	281,084	1,016,794	152,995
Profit for the year/period attributable to:							
Owners of the Company	517,691	506,507	1,432,813	215,593	288,806	858,164	129,126
Non-controlling interests	(1,963)	(4,868)	(26,872)	(4,043)	(7,722)	133,661	20,112
Holders of Perpetual Capital Instruments ..	—	—	—	—	—	24,969	3,757
	515,728	501,639	1,405,941	211,550	281,084	1,016,794	152,995
Other financial data (unaudited):							
EBITDA ⁽¹⁾	766,147	842,284	2,490,346	374,719	464,785	1,468,076	220,899
EBITDA margin ⁽²⁾	36.0%	20.5%	33.6%	33.6%	22.1%	21.0%	21.0%

Notes:

- (1) EBITDA consists of profit before income tax plus finance income/(costs)—net, depreciation of property, plant and equipment and amortization of intangible assets. 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 revenue and selling and distribution expenses and administrative 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. 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 BALANCE SHEETS

	As of December 31,				As of June 30, 2016	
	2013	2014	2015			
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
				(unaudited)	(unaudited)	(unaudited)
ASSETS						
Non-current assets						
Property, plant and equipment	111,250	463,864	840,824	126,518	1,052,657	158,392
Land use rights	513,393	498,590	483,787	72,795	487,975	73,425
Investment properties	—	—	—	—	3,328,000	500,760
Intangible assets	1,520	3,368	2,774	417	4,722	711
Investments accounted for using the equity method	609,595	2,355,819	2,534,738	381,399	1,831,412	275,570
Other receivables	2,896	2,691	—	—	—	—
Available-for-sale financial assets	—	1,000	46,000	6,922	46,000	6,922
Deferred tax assets	72,291	134,412	151,282	22,763	213,314	32,097
	<u>1,310,945</u>	<u>3,459,744</u>	<u>4,059,405</u>	<u>610,814</u>	<u>6,964,080</u>	<u>1,047,877</u>
Current assets						
Properties under development	8,574,473	14,907,113	23,338,429	3,511,703	27,158,681	4,086,532
Completed properties held for sale	920,535	866,423	1,301,888	195,893	7,245,754	1,090,259
Trade and other receivables and prepayments	3,690,376	7,664,116	1,868,565	281,161	8,458,831	1,272,789
Amounts due from related parties	3,324,359	2,713,147	—	—	—	—
Amounts due from customers for contract works	63,086	114,627	143,361	21,571	256,534	38,600
Prepaid taxation	145,660	390,218	205,499	30,921	358,232	53,903
Available-for-sale financial assets	9,000	20,000	41,000	6,169	—	—
Term deposits with initial terms of over three months	5,500	—	1,021,799	153,749	—	—
Restricted cash	14,505	741,736	74,458	11,204	526,339	79,198
Cash and cash equivalents	696,090	657,637	2,742,466	412,655	12,298,983	1,850,612
	<u>17,443,584</u>	<u>28,075,017</u>	<u>30,737,465</u>	<u>4,625,026</u>	<u>56,303,354</u>	<u>8,471,893</u>
Total assets	<u>18,754,529</u>	<u>31,534,761</u>	<u>34,796,870</u>	<u>5,235,840</u>	<u>63,267,434</u>	<u>9,519,770</u>
EQUITY						
Capital and reserves attributable to the owners of the Company						
Share capital	—	—	—	—	12	2
Share premium	—	—	989,745	148,926	2,485,669	374,015
Reserves	1,525,908	1,020,877	3,312,777	498,469	4,550,662	684,732
	<u>1,525,908</u>	<u>1,020,877</u>	<u>4,302,522</u>	<u>647,395</u>	<u>7,036,343</u>	<u>1,058,749</u>
Non-controlling interests	13,037	8,169	770,210	115,893	5,614,509	844,808
Perpetual Capital Instruments	—	—	—	—	1,721,275	258,998
Total equity	<u>1,538,945</u>	<u>1,029,046</u>	<u>5,072,732</u>	<u>763,288</u>	<u>14,372,127</u>	<u>2,162,555</u>

	As of December 31,				As of June 30, 2016	
	2013	2014	2015			
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
LIABILITIES						
Non-current liabilities						
Deferred income tax liabilities	—	—	—	—	1,405,506	211,485
Borrowings	4,985,700	10,999,600	6,926,063	1,042,156	17,961,732	2,702,679
	4,985,700	10,999,600	6,926,063	1,042,156	19,367,238	2,914,164
Current liabilities						
Trade and other payables	640,588	1,277,317	2,273,632	342,110	5,343,124	803,973
Amounts due to related parties	1,871,328	3,207,622	265,007	39,875	113,316	17,051
Dividend payable	—	338,000	—	—	—	—
Pre-sale proceeds received from customers	6,088,312	8,099,997	10,083,124	1,517,194	14,859,067	2,235,825
Current income tax liabilities	143,316	323,979	729,812	109,814	1,439,162	216,549
Borrowings	3,486,340	6,259,200	9,446,500	1,421,403	7,773,400	1,169,653
	12,229,884	19,506,115	22,798,075	3,430,396	29,528,069	4,443,051
Total liabilities	17,215,584	30,505,715	29,724,138	4,472,552	48,895,307	7,357,215
Total equity and liabilities	18,754,529	31,534,761	34,796,870	5,235,840	63,267,434	9,519,770
Net current assets	5,213,700	8,568,902	7,939,390	1,194,630	26,775,285	4,028,842

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

We are and will continue to be dependent on the performance of the PRC property market, particularly in Fujian province and the other regions where we operate and intend to operate, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where we have operations, could have a material adverse effect on our results of operations, financial condition and business prospects

Our business and prospects depend on the performance of the PRC property market. As of June 30, 2016, we had 39 property development projects in Fujian province and neighboring provinces in Eastern China developed by our subsidiaries. As of the same date, we had four projects we jointly controlled with other property developers and one project we operated with another property developer in which we had no control, generally in the same region. We also intend to enter certain other regions and cities in China. Any adverse development in the supply of or demand for properties and any measures that the PRC government may take in restricting the growth of the property market in China, particularly with respect to residential properties, which account for most of our development portfolio, and in the cities where we have or plan to have projects, may adversely affect our results of operations, financial condition and business prospects.

The overall demand for residential and commercial properties in China has grown rapidly in recent years. However, the market also experienced fluctuations in property prices during this period in response to PRC government policies and trends in the PRC and world economy. There have been increasing concerns over the affordability of housing and the sustainability of the real estate market growth in China. As a result, the PRC government has in recent years promulgated various control measures aimed at cooling the property sector. See “—Risks Relating to the PRC—The PRC government may adopt further measures to regulate the property sector” and “—Risks Relating to the PRC—Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available” below. We cannot assure you that such measures will not have a negative impact on our business or that the demand for new properties in first and second-tier cities and regional centers where we have or will have operations (either directly through our subsidiaries or indirectly through joint ventures or associated companies) will continue to grow in the future or that there will not be over-development or a market downturn in the PRC property sector. Recently, the property market in the PRC has witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales and some local governments reported to have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. Any continuing adverse development and the ensuing decline in property sales or decrease in property prices in China may adversely affect our business and financial condition.

We may not be able to identify suitable land or acquire land use rights for future development at commercially reasonable costs, or at all, in which event our business, results of operations and financial condition as well as prospects may be materially and adversely affected

Our business is dependent upon our ability to identify and acquire suitable land at commercially reasonable costs and our ability to generate profit from the sale of properties developed on such land. We need to

periodically replenish our land reserves in order to grow our business. We have set clear criteria for site selection for the properties we develop. See “Business—Our Property Development Management.” We may incur significant costs in identifying, evaluating and acquiring suitable new land for development following our criteria. Our future growth prospects and results of operations may be adversely affected if we fail to identify and acquire sufficient amount of such suitable new land for development and to achieve reasonable returns upon the sale or lease of these properties.

The PRC government’s policies on land supply may affect our ability to acquire land use rights for future developments and land acquisition costs. The PRC government controls land supply and regulates the ways in which property developers may obtain land for property development. Such measures and any other similar measures in the future may subject us to increased competition from other property developers. Changes in government policy that reduce land supply or limit our ability to tender for land may materially and adversely affect our business and financial condition.

We conduct a large part of our operations in, and derived substantially all of our revenue in 2013, 2014 and 2015 and the six months ended June 30, 2016 from, Fujian province and we may not successfully expand to other locations

As of June 30, 2016, we had a total of 44 property development projects, 27 of which were in Fujian province. During 2013, 2014 and 2015 and the six months ended June 30, 2016, we derived substantially all of our revenue from nine property development projects in Fujian province. In addition, as of June 30, 2016, we had ten projects that were under development or held for future development through our subsidiaries with a total estimated GFA attributable to us of approximately 3.0 million sq.m. in Fujian province. Our business and prospects therefore are highly dependent upon the performance of the property market in Fujian province. As a result, we are exposed to a greater geographical concentration risk than some of our competitors in the PRC whose operations are more geographically diversified. For as long as our operations remain substantially concentrated in Fujian province, if Fujian province experiences any significant economic downturn due to imbalances in the local economy, disturbances in local financial markets, natural disasters, epidemic, hostilities or any other reason, or if more restrictive government policies on the property market are imposed in Fujian province, or if the conditions of Fujian province’s property market otherwise declines, our business, results of operations and financial condition may be materially and adversely affected.

In order to achieve sustainable growth, we may need to continue to seek development opportunities in selected regions in the PRC with potential for growth where we have no existing operations. For example, we have expanded into Shanghai and Hangzhou and intend to expand into other first- and second-tier cities which we believe have great growth potential, such as Beijing and Guangzhou. However, our experience as a property developer in our existing markets may not be applicable in other regions. We may face intense competition from developers with greater financial resources, established experience or presence in these new markets, and from other developers with similar expansion plans. In addition, business expansion or land acquisition requires a significant amount of capital investment and human resources, and may divert our existing resources including the attention of our management. Additionally, we may not be able to hire, train or retain sufficient talent to manage our operations in the new markets. As a result, our inability to develop, manage and integrate new projects and businesses may adversely affect our operating efficiency and the success of our expansion plans, which consequently may adversely affect our business, financial condition and future prospects.

Our results of operations in 2013, 2014 and 2015 and the six months ended June 30, 2016 may not be representative of our future performance

We experienced significant revenue growth in 2013, 2014 and 2015 and the six months ended June 30, 2016. In 2013, 2014 and 2015, our revenue was RMB2,128.9 million, RMB4,099.2 million and RMB7,414.6 million (US\$1,115.7 million), respectively, representing a CAGR of 86.6%. For the six months ended June 30,

2015 and 2016, our revenue was RMB2,106.5 million and RMB6,983.4 million (US\$1,050.8 million), respectively, representing an increase of 231.5%.

We cannot assure you that we will grow at a high rate, or at all, or that we will not experience a decrease in revenue. We have faced and will continue to face challenges including rising development and administrative costs and increasing competition for employees and future growth opportunities. As a result, our past results of operations may not be representative of our future performance.

We generated substantially all of our revenue in 2013, 2014 and 2015 and the six months ended June 30, 2016 from the sale of properties and our results of operations may fluctuate due to factors such as the schedule of our property development and the timing of property sales

In 2013, 2014 and 2015 and the six months ended June 30, 2016, we derived substantially all of our revenue from the sale of properties. Our results of operations may fluctuate due to factors such as the schedule of our property development and the timing of property sales.

We generally recognize revenue from sale of a property upon the completion of property construction and the issuance of a notice of delivery of property to the buyer, at which point we believe the significant risks and rewards of ownership are transferred to the buyer. Due to capital requirements for land acquisition and construction, limited land supply and the time required for completing a project, we can undertake only a limited number of property development projects at a time. In addition, since the timing of delivery of our properties varies according to our construction timetable, our revenue and results of operations may vary significantly from period to period depending on the number of properties delivered during a specific period. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be as meaningful measures of our financial performance of a specific period as they would be for a company with a greater proportion of steady recurring revenues. Furthermore, our property development may be delayed or adversely affected by a combination of factors, including market or economic conditions, natural disasters, adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities as well as other factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

We may not be able to complete our projects according to schedule which may adversely affect our business and financial condition

- The progress of a property development project can be adversely affected by many factors, including:
- changes in market conditions including the credit market;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- changes in government rules and regulations and the related practices and policies, including reclamation of land for public works or facilities;
- disputes with our joint venture partners;
- increases in the prices of raw materials;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes and strikes;
- construction accidents;
- natural disasters or adverse weather conditions; and

- other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect our business and financial condition and may also cause reputational damage. We cannot assure you that we will not experience such delays in delivery of our property projects in the future or that we will not be subject to any liabilities for any such delays.

We had significant cash outflow from operations in 2013 and 2014 and we may not be able to timely obtain sufficient financing to fund our land acquisitions or property developments

Property development usually requires substantial capital investment during the land acquisition and construction period. It is not unusual for a property developer to generate negative operating cash flow over a particular period when the cash outlay for land acquisition and construction expenditures during that period, after offsetting changes in other working capital items, exceeds the cash inflow from property sales over the same period. We experienced significant cash outflow from operating activities in 2013 and 2014 as we rapidly expanded our land bank and development activities. In 2013 and 2014, we had net cash used in operating activities of RMB3,704.3 million and RMB6,343.5 million, respectively. We therefore require external funding to expand our business and to acquire land and develop new projects. In 2013, 2014 and 2015 and the six month ended June 30, 2016, we had utilized equity and debt financing to fund our business operations in the past. We typically use internal funds, proceeds from pre-sales of our properties and bank loans, trust financing and other borrowings to finance the construction costs for our property developments. We expect to continue to fund our projects through these sources. However, we cannot assure you that such funds will be sufficient or that any additional external financing can be obtained on satisfactory or commercially reasonable terms, or at all.

A number of factors, such as general economic conditions, our financial performance, credit availability from financial institutions and monetary policies in the PRC, may affect our ability to obtain adequate financing for our projects on favorable terms, if at all. Many of these factors are beyond our control. The PRC government has in recent years taken a number of measures in the financial sector to further tighten lending requirements for property developers to cool down excessive growth in the property sector, which, among other things:

- prohibit PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of villas;
- restrict PRC commercial banks from granting or extending revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibit PRC commercial banks from granting loans to development projects that fail to meet capital ratio requirements or lack the required government permits and certificates; and
- prohibit property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing from them. PBOC adjusted the bank reserve requirement ratio twice in 2012, twice in 2014 and five times in 2015 and once in 2016 up to June 30, 2016. The reserve requirement ratio for commercial banks currently ranges from 13.0% to 16.5%. We cannot assure you that the PRC government will not introduce other measures which may limit our access to capital resources. The foregoing and other governmental actions and policy initiatives may limit our ability to use bank borrowings or trust and other borrowings to finance our property developments and, therefore, may require us to maintain a relatively high

level of internally sourced cash or obtain funding at a higher cost. As a result, our business, results of operations, and financial condition may be materially and adversely affected.

We are subject to certain restrictive covenants in and risks associated with bank borrowings, trust and other borrowings, which may limit or otherwise materially and adversely affect our business, results of operations and financial condition

We are subject to certain restrictive covenants in our loan and financing agreements with certain banks, trust companies and other financial institutions. Some of our loan agreements, for example, obligate our borrowing subsidiaries to maintain certain financial ratios. In addition, certain loan agreements contain covenants pursuant to which we or our borrowing subsidiaries may not enter into merger, joint venture or restructuring transactions, decrease registered share capital, transfer material assets, liquidate, change shareholdings or distribute dividends without the lenders' prior written consent.

Our trust and other borrowings generally also contain certain covenants stipulating, among others, that we or our borrowing subsidiaries will not repay shareholders' loans, misuse proceeds, provide guarantees, distribute dividends, enter into merger, joint venture or acquisition transactions, transfer material assets or change registered share capital without notifying the lender, obtaining a prior consent from the lender or fully repaying the outstanding amount under the relevant agreements. Pursuant to some of the trust financing arrangements, the trust companies have veto rights over certain of our corporate actions. In addition, many of our trust and other borrowings are secured by either a pledge or a transfer, or both, of our equity interests in the relevant project company subsidiary to the lender. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Trust and Other Borrowings."

If we fail to comply with any of those covenants resulting in the lenders' requests for acceleration or other default remedies, we may lose part or all of our equity interests in the relevant project company subsidiaries and/or our share in the asset value of the relevant property projects. The occurrence of any of the above events may have a material adverse effect on our business, financial condition and results of operations.

If we fail to collect our receivables, our financial condition, results of operations and cash flow may be materially and adversely affected

We recorded trade and other receivables in the amount of RMB633.9 million, RMB261.3 million, RMB433.2 million (US\$65.2 million) and RMB1,895.3 million (US\$285.2 million) as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. One of the receivables is a payment due from the Xiangcheng district government, Zhangzhou, in relation to certain contractual arrangements for the construction of a road and preparation of adjacent land parcels. We cannot assure you that we will be able to collect receivables from our debtors, including Xiangcheng district government, in full or in a timely manner. We could be forced to write off certain receivables in accordance with HKFRS if our debtors, including Xiangcheng district government, failed to honor their repayment obligations. In addition, we may incur expenses and have management resources diverted relating to the collection of our receivables, such as through legal proceedings. As such, our financial condition, results of operations and cash flow may be materially and adversely affected.

Increasing competition in the PRC, particularly from developers of properties similar to ours in the Western Taiwan Straits Economic Zone and the other cities where we operate or intend to operate, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects in the Western Taiwan Straits Economic Zone and first and second-tier cities in China, including property developments similar to ours. Our major competitors include large national and regional property developers and overseas developers, some of which may have better track records and greater financial

and other resources than us. In addition, we also compete with small local property developers. Intense competition among property developers in first and second-tier cities in China for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, an oversupply of properties available for sale and a decrease in property prices. Any of the above may adversely affect our business, results of operations and financial condition. In addition, the property markets in first and second-tier cities in China are rapidly changing in response to various external factors beyond our control. If we fail to respond to these changes in market conditions or customer preferences more swiftly or effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

Our business may be adversely affected if we fail to obtain, or if there is any delay in obtaining, the relevant PRC governmental approvals for our property development projects

We are required to obtain various permits, licenses, certificates and other approvals from the relevant PRC government authorities at various stages of project development including, but not limited to, state-owned land use rights certificates, planning permit for construction land, planning permits for construction works, permits for commencement of construction works, pre-sale permits for commodity properties and certificates or confirmations of completion and acceptance. In particular, we are required to obtain state-owned land use rights certificates before commencing any property development and such certificates would generally only be issued after certain conditions have been satisfied. Such conditions include the relevant project company having executed the state-owned land use rights granting contracts (國有土地權出讓合同) with the relevant authorities whereby the land use rights are granted to the relevant project company, provided we have paid the land premium in full.

As of June 30, 2016, we had a total attributable site area of approximately 2.3 million sq.m. in properties held for future development, corresponding to approximately 1.3 million sq.m. in attributable estimated GFA, for which we had not obtained the relevant land use rights certificates. We had either paid the relevant land premiums and were awaiting the relevant government agencies to issue the land use rights certificates or had not paid the relevant land premiums because (a) the relevant local governments had extended the relevant payment period as they had not completed resettlement and infrastructure work in relation to the land parcels or (b) the relevant land premiums had not become due. The aggregate amount of the outstanding land premiums was approximately RMB7,108.0 million as of June 30, 2016. We expect to make the payments pursuant to the land grant contracts and apply for the land use rights certificates in due course. The following table sets forth certain details of such land parcels:

Project	Attributable site area without land use rights certificate	Corresponding attributable estimated GFA
	(sq.m.)	(sq.m.)
The Twin Harbor City	160,617	516,344
The Long Island	99,935	360,850
Xiamen Bowan	39,715	170,914
Yongxin Capital	11,524	33,413
Xiaoshan Residence	31,232	85,752
Jingkai Project	11,104	33,766
Yinghe Primary School Project	22,280	80,074
Qinglong Project	14,201	46,266
Total	390,608	1,327,379

In 2013, 2014 and 2015 and the six months ended June 30, 2016, we did not make land premium payments as scheduled under the land grant contracts for a number of our property development projects and, therefore, could not obtain the relevant land use rights certificates within the expected time frame. We cannot assure you that we will not encounter similar problems with respect to continuing scheduled land premium payments, including the outstanding ones described above, going forward, for similar or other reasons. See “—We may be

subject to sanctions by the PRC government if we fail to comply with relevant PRC laws and regulations or be subject to late fees if we breach the terms of the land grant contracts” below. We cannot assure you that we will receive the various land use rights certificates within the expected time frame, because the timing of issuance of such certificates may be subject to factors out of our control, including the relevant government resettlement schedules. If we fail to receive such certificates, our development schedule may be disrupted, which, in turn, may have a material and adverse effect on our business, results of operations and financial condition.

We cannot assure you that we will not encounter problems in obtaining other government approvals or in fulfilling the conditions required for obtaining other government approvals and certificates. If we fail to obtain the relevant approvals or to fulfill the conditions of the approvals and certificates for our property development, those developments may not proceed on schedule. As a result, our business, results of operations and financial condition may be materially and adversely affected.

We are exposed to contractual and legal risks related to pre-sales, which could have a material adverse effect on our business, financial condition and result of operations

We make certain undertakings in our pre-sale contracts, and our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete a pre-sold property on time, we may be liable to the relevant customers 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 customer may also refuse to accept the delivery or even terminate the pre-sale contracts 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 any 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. Any of such factors could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to realize the anticipated economic and other benefits from our joint ventures, and disputes with joint venture partners or any violation of PRC laws by our joint ventures may adversely affect our business, results of operations and financial condition

We have formed joint ventures with other property developers to develop projects and may continue to do so in the future. As of June 30, 2016, we had four projects we jointly controlled with other property developers and one project operated with another property developer in which we had no control. We relied to a considerable extent on joint venture projects for profitability in 2013, 2014 and 2015 and the six months ended June 30, 2016. During the same period, we recorded our “share of profits of investments accounted for using the equity method, net” of RMB324.2 million, RMB240.7 million, RMB422.5 million (US\$63.6 million) and RMB305.2 million (US\$45.9 million), respectively, accounting for 42.7%, 28.9%, 17.1% and 20.3%, respectively, of our profit before income tax. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Certain Items in Consolidated Income Statements—Share of Profits of Investments Accounted for Using the Equity Method, net” in this offering memorandum. In addition, as of December 31, 2013, 2014 and 2015 and June 30, 2016, we recorded amounts due from joint ventures of RMB3,143.4 million, RMB2,521.1 million, nil and nil, respectively. We and our joint venture partners provided such amounts to the project companies in proportion to our shareholding percentages in order to fund the project companies’ land acquisition and as working capital. Once these project companies obtain external borrowings or commence pre-sale and generate cash flow, they will repay the amounts due to us on demand. Therefore, the timing of such joint ventures’ capital outlays may materially and adversely affect our results of operations.

The success of a joint venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties

to the joint ventures. Joint ventures may involve risks associated with, among others, the possibility that our joint venture partners may:

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

In addition, since we do not have full control over the business and operations of our joint ventures, we cannot assure that they have been, or will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our joint ventures or our joint ventures will not violate applicable PRC laws and regulations, which may have an adverse effect on our business, results of operations and financial condition.

The illiquidity of property investments or fluctuations in property value could limit our ability to respond to adverse changes in the performance of our investment properties or reduce our share of economic benefits of investment properties held by our joint ventures

We plan to hold a portion of the properties we have developed as investment properties. See “Business—Our Hotels and Investment Properties.” In addition, our joint ventures have substantial holdings of investment properties and we derived the benefit of substantial amounts of fair value gains on investment properties held by the joint ventures via our share of their profits in 2013, 2014 and 2015. Shiou Group, our 50% owned joint venture and its subsidiaries before March 2016, recorded such valuation gains of RMB452.9 million, RMB505.0 million and RMB71.3 million (US\$10.7 million) in 2013, 2014 and 2015, respectively, representing 43.7%, 69.0% and 3.6%, respectively, of the Shiou Group’s total profit before income tax for the same periods. In March 2016, the joint venture partner of Shiou Group transferred the controlling rights of the jointly controlled projects to us. Following the consolidation, Shiou Group is consolidated as our 50% owned subsidiary. We recorded fair value gains on investment properties of RMB9.0 million (US\$1.4 million) for the six months ended June 30, 2016. Because property investments in general are relatively illiquid, one’s ability to promptly sell one or more of investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates and general supply and demand, many of which are beyond our control. We or our joint ventures cannot predict whether we or our joint ventures will be able to sell any investment properties on satisfactory terms, or whether any price or other terms offered by a prospective purchaser would be acceptable to us or our joint ventures. We or our joint ventures also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we or our joint ventures sell an investment property during the term of that property’s management agreement or tenancy agreement, we or our joint ventures may have to pay termination fees. Furthermore, we cannot assure you that we or our joint ventures will achieve fair value gains on our or their investment properties.

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. Since 2012, the PRC government reduced base interest rates many times to stimulate the economy. The one-year benchmark lending rate was decreased to 6.31% on June 8, 2012, to 6.00% on July 6, 2012, to 5.60% on November 22, 2014, to 5.35% on March 1, 2015, to 5.10% on May 11, 2015, to 4.85% on June 28, 2015, to 4.6% on August 26, 2015 and further to 4.35% on October 24, 2015. As of June 30, 2016, the benchmark one-year lending rate was 4.35%. As commercial banks in China and other financial institutions

based in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the mortgage rates of our customers and our financing costs.

We guarantee the mortgage loans provided by financial institutions to our customers and, consequently, we are liable to the mortgagees if our customers default

We arrange for various banks to provide mortgage loans to the purchasers of our properties. In accordance with market practice, PRC domestic banks require us to guarantee these mortgages. We generally provide guarantees until the purchasers of our properties obtain the relevant “strata-title building ownership certificate (分戶產權證)” and the certificate is registered in favor of the bank. We rely on credit checks conducted by the bank on our customers and do not conduct our own credit checks. The guarantees cover the full value of mortgages that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments. In our experience, the typical guarantee period ranges from one year to three years. We deposit with the mortgage bank an amount which typically represents less than 5% of the mortgage to which the guarantee relates. If a customer defaults on payment of its mortgage, the mortgagee bank may deduct the payment due from the deposited sum and require that we immediately repay the entire outstanding balance of the mortgage pursuant to the guarantee and we also have the right to terminate the sales contract with the defaulting customers. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the mortgage to us and we would then have full recourse to the property. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our outstanding guarantees over the mortgage loans of our customers amounted to RMB2,678.1 million, RMB3,579.9 million, RMB6,412.9 million (US\$964.9 million) and RMB12,921.2 million (US\$1,944.2 million), respectively. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we had 15 incidents where we were jointly and severally liable for a purchaser’s default under his mortgage loan, for an aggregate amount of approximately RMB10.2 million (US\$1.5 million). We cannot assure you that defaults by our customers will not occur or the rate of such defaults will not increase in the future. If a significant amount of our guarantees is called upon at the same time or in close succession, our results of operations and financial condition may be materially and adversely affected to the extent that there is a material depreciation in the market value of the relevant properties or that we cannot resell such properties due to unfavorable market conditions or other reasons.

Any breach of contractual obligations by third-party contractors for the construction of our property development projects may adversely affect our results of operations and financial condition

We engage third-party contractors to provide various services, including the construction of buildings for our property development projects. We generally select third-party contractors through competitive bids and also through internal assessment of general factors including their demonstrated competence, market reputation and our prior relationship with them. Completion of our projects is subject to the satisfactory performance by these third-party contractors of their contractual obligations, including their adherence to the pre-agreed schedule for completion. We cannot assure you that the services rendered by any of these third-party contractors will be satisfactory or be completed on time. If the performance of any third-party contractor proves unsatisfactory, or if any of them is in breach of its contractual obligations, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect our cost and construction progress of our projects. Furthermore, a contractor’s financial or other difficulties may cause the delay in the completion of our property developments and result in our incurring additional costs, which may have a material adverse effect on our results of operations and financial condition.

Fluctuations in the price of construction materials and our construction contractors’ labor costs could affect our business and financial performance

We normally engage third-party contractors for construction of our projects. Such third-party contractors are responsible for procuring construction materials, including, but not limited, to steel and cement, the prices of which

can be volatile. According to our contracts with our construction contractors, in the event that the prices of the equipment and construction materials procured by our construction contractors fluctuate beyond a pre-determined band from the pre-agreed price, we will adjust our payments to our contractors accordingly. Therefore, any material increase in the cost of construction materials or contractors' labor costs may lead to future increases in construction contract costs. 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 pre-sale. Our inability to pass cost increases to our construction contractors or our customers may result in decrease in our profit margins and adversely affect our results of operations and financial condition. In addition, with the overall improvement of living standards in China as well as the PRC government's recent policies aimed at increasing wages of migrant workers, we expect labor costs of our third-party contractors to continue to increase in the near future, which could also have an adverse effect on our results of operations and financial condition.

If our provisions for land appreciation tax ("LAT") prove to be insufficient, our financial results would be adversely affected

Our properties developed for sale are subject to LAT. Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. We make provisions for the estimated full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement with the relevant tax authorities. As we often develop our projects in phases, deductible items for the calculation of LAT, such as land costs, are apportioned among different phases of development. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We only prepay a portion of such provisions each year as required by the local tax authorities. During the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we made provisions for LAT in the amounts of RMB174.9 million, RMB229.8 million, RMB663.0 million (US\$99.8 million) and RMB244.1 million (US\$36.7 million), respectively. We cannot assure you that the relevant tax authorities will always agree with our calculation of LAT liabilities, nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. In addition, as we continue to expand our property developments, we cannot assure you that our provision for LAT obligations based on our estimates in new markets will be sufficient to cover our actual LAT obligations. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict our cash flow position, our ability to finance our land acquisitions and to execute our business plans.

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

Pursuant to the Notice on Adjustment of Transfer Business Tax to Appreciation Tax (關於全面推開營業稅改徵增值稅試點的通知) issued on March 23, 2016 and implemented on May 1, 2016 ("Circular 36") by the Ministry of Finance ("MOF") and the PRC State Administration of Taxation ("SAT"), effective from May 1, 2016, PRC tax authorities have started imposing value added tax ("VAT") on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, MOF and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services. The VAT rates applicable to us may be generally higher than the business tax rate we were subject to prior to the implementation of Circular 36. For example, the VAT rate for the sale of self-developed real estate projects will be increased from 5% (the current business tax rate) to 11%. Unlike business tax, the VAT will only

be imposed on added value, which means the input tax incurred from the deductible land prices can be offset from our output tax. However, details of concrete measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new VAT regime on our tax burden, our revenues and results of operations, which remains uncertain.

We may be subject to sanctions by the PRC government if we fail to comply with relevant PRC laws and regulations or be subject to late payment fees if we breach the terms of the land grant contracts

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights.

Under typical land grant contracts, any violation of payment schedule of land premium as stipulated under the land grant contracts may subject a developer to late payment fees or even result in termination of the land grant contracts. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we did not make land premium payments as scheduled under the land grant contracts for certain of our property development projects and, thus, we were subject to late payment fees. We cannot assure you that we will not experience delays in making land premium payment in the future. If we incur late payment fees in the future, our business, financial position and results of operations may be materially and adversely affected.

Under Law on Civil Air Defense of the PRC (《中華人民共和國人民防空法》), newly built civil buildings shall construct underground spaces as required under relevant rules and regulations for air defense purpose during war time. Therefore local authorities generally stipulate certain site areas of the civil air defense underground spaces of a project during the project planning in accordance with relevant laws, rules and local regulations. According to Civil Air Defense Law and Management Measures of Normal Development and Utilization of Air Defense Projects (《人民防空工程平時開發利用管理辦法》), civil air defense projects are normally under the management of investors who are entitled to the proceeds from such projects. Hence each company who develops air defense underground spaces has the right to receive proceeds from such projects by lease or other measures. As of June 30, 2016, we occupied a total site area of approximately 176,974 sq.m. of civil air defense underground spaces, most of which are used for car parks, representing an insignificant portion of our property portfolio. We have accounted for such properties as completed properties held for sale.

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

Property developers in the PRC typically assist purchasers of properties to obtain the relevant individual property ownership certificates within a time frame set out in the relevant property sale and purchase agreement. Property developers, including ourselves, generally elect to specify the deadline for the delivery of properties in the property sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning permits, to the local bureau of land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and apply for the property ownership initial registration in respect of these properties. We are then required to submit after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, for the relevant local authority's review and 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. We cannot assure you that we will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control.

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

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for our development and, as a consequence, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental approval, and the payment of additional land premium. If issues related to excess GFA cause delays in the delivery of our products, we may also be subject to liability to purchasers under our sales and purchase agreements. We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA, or that the authorities will determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to take any remedial action that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, results of operations and financial condition.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “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 China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to a uniform 25% enterprise income tax (“EIT”) on their worldwide income. Under the implementation rules of the EIT Law (the “EIT Rules”), “de facto management bodies” are defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in China and may remain in China. Therefore, we may be treated as a PRC resident enterprise for EIT purposes and thus be subject to EIT on our worldwide income. However, a PRC resident enterprise is exempt from tax on dividend income received from qualified resident enterprises. The tax consequences to us in the case that we are treated as a PRC resident enterprise are not entirely clear, as they will depend on the implementation regulations and how local tax authorities apply or enforce the EIT Law and the EIT Rules. Furthermore, if we are treated as a PRC “resident enterprise,” we may be obligated to withhold PRC income tax, generally at a rate of 10%, on payments of interest on the Notes to investors that are “non-resident enterprises,” because the interest may be regarded as being derived from sources within the PRC. If we are required under the PRC tax laws to withhold PRC tax on our interest payable to noteholders who are “non-resident enterprises,” we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holder of each Note of such amounts as would have been received by such 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. If we fail to do so, we may be subject to fines and other penalties. Further, if we are treated as a PRC “resident enterprise,” any gain realized by a “non-resident enterprise” investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and, accordingly, may be subject to a 10% PRC tax.

Changes of PRC laws and regulations with respect to pre-sales may adversely affect our business

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. Under current PRC laws and regulations, property developers must fulfill certain conditions

before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance the related development. In August 2005, the PBOC issued a report entitled “2004 Real Estate Financing Report,” in which it recommended discontinuing the practice of pre-selling uncompleted properties because it created significant market risks and transactional irregularities. This PBOC recommendation has not been adopted by any PRC government authorities. However, there can be no assurance that the PRC government will not adopt this recommendation or otherwise ban or impose additional restrictions on pre-sales in the future. Any ban or additional restrictions on pre-sales may require us to seek alternative sources of funding to finance our developments, and such alternative funding may not be available to us on attractive terms, or at all, in which case our cash flow and prospects, and our business, results of operations and financial condition could be materially and adversely affected.

Compliance with PRC laws and regulations regarding environmental protection or preservation of antiquities and monuments could result in substantial delays in construction schedule and additional costs

We are subject to extensive PRC laws and regulations concerning environmental protection and preservation of antiquities and monuments which impose fines for violation and authorize government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation of certain activities causing environmental damage. The application of such laws and regulations vary greatly according to a site’s location, its environmental condition, present and former use, as well as the circumstances of its adjoining properties. Such variation in application may result in delays in our project completion and may cause us to incur substantial compliance and other costs and severely restrict our project development activities in certain regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of project construction. If we fail to meet such requirements, the local authorities may issue orders to suspend our construction activities and impose a penalty in the range of RMB50,000 to RMB200,000. We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. In the event of a suspension of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

There is a growing awareness of environmental issues in the PRC and we may sometimes be expected to meet more stringent standards than those under applicable environmental laws and regulations. We have not adopted any special environmental protection measures other than the measures generally taken in the ordinary course of business by comparable companies in our industry. There is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet public expectations, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, results of operations and financial condition.

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

We may be involved in disputes with various parties involved in the development and sale of our properties, including contractors, suppliers, construction workers, purchasers and project development partners. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management’s attention. As some of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to

administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments. From time to time, our officers and management may be parties to litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

A deterioration in our brand image or any infringement of our intellectual property rights could adversely affect our business

We rely to a significant extent on our brand name, “Rongxin” (“融信”), in marketing our properties. Brand value is based largely on subjective consumer perception and can be damaged by isolated incidents that diminish consumer trust. Any negative incident or negative publicity concerning us or our business could adversely affect our reputation and business. Our brand value and consumer demand for our properties could decline significantly if we fail to maintain the quality of our properties or fail to deliver a consistently positive experience for the purchasers of our properties, or if we are perceived to have acted in an unethical or socially irresponsible manner. In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations. In addition, we have allowed Zhangzhou Rongxin Crowne Plaza Holiday Hotel in Zhangzhou and Rongxin (Fujian) Property Management Co., Ltd. (融信 (福建) 物業管理有限公司), the property management company we have engaged to manage our properties, and may in the future authorize additional non-Group companies, to use our brand. While we seek to maintain our brand image by requiring these companies to comply with relevant rules and standards relating to the use of our brand name, we cannot assure you that these parties will not use our brand name in a way that negatively affects our reputation and the reputation of our projects, which in turn may have an adverse effect on our results of operations and financial condition.

In addition, our service marks, trademarks, trade secrets and other intellectual property are critical to our success. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite the precautions taken, it may be possible for third parties to obtain and use our intellectual property without authorization, which may adversely affect our business and reputation. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and, consequently, adversely affect our business and results of operations.

We may not have adequate insurance coverage to cover our potential liability or losses and, as a result, our business, results of operations and financial condition may be materially and adversely affected

We maintain insurance as required by applicable PRC laws and regulations and as we consider appropriate for our business operations. We do not, however, maintain insurance against all risks associated with our operations, such as insuring our projects under development against natural or accidental damage and destruction by fire, flood, lightning, explosions or other hazards during construction periods or insuring our assets against certain natural disasters. We may incur losses, damages or liabilities during any stage of our property development and we may not have sufficient funds to cover the same or to rectify or replace any uninsured property or project that has been damaged or destroyed. In addition, any payments we are obligated to make to cover any losses, damages or liabilities may materially and adversely affect our business, results of operations and financial condition.

Our business depends substantially on the continuing efforts of the members of our senior management and qualified personnel and our ability to attract and retain them, and, if we lose the services of any of these key management and personnel and cannot replace them in a timely manner, or at all, our business may be materially and adversely affected

Our business depends, to a significant extent, on the capability and expertise of our senior management team members, including our executive directors and other members of our management who have operational experience in the real estate business. In particular, we rely on Mr. Ou, our founder and Chairman, who has more than 16 years of experience in the development and management of real estate. If one or more of our senior management team members are unable or unwilling to continue in their present positions, we may not be able to identify and recruit suitable replacements in a timely manner, or at all, and the implementation of our business strategies may be affected, which could materially and adversely affect our operations. In addition, we rely on our employees, which include qualified design, construction management, quality control, marketing, on-site supervisory and construction management personnel for our daily operations and business expansion. We cannot assure you that we will be able to continue to attract and retain sufficient skilled and experienced employees in the future. If we fail to recruit, retain or train skilled employees, our growth and business prospects could be adversely affected.

We may be subject to additional payments of statutory employee benefits

As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds, to designated government agencies. During 2013, 2014 and 2015 and the six months ended June 30, 2016, we did not make sufficient contributions to the social insurance and housing provident funds for some of the employees due to miscommunication between our departments, inconsistency in implementation or interpretation of the relevant PRC laws and regulations among government authorities in the PRC and, in some cases, voluntary decisions by the relevant employees.

According to the relevant PRC laws and regulations, our failure in making requisite social insurance or housing provident fund contributions may result in a fine imposed on us or us being required to rectify the non-compliance by any relevant governmental authorities. As of June 30, 2016, we had made provisions for unsubscribed contributions in the aggregate amount of approximately RMB33.1 million (US\$5.0 million).

We cannot assure you that we will not be subject to any order to rectify non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance or housing provident funds against us, or that we will not receive any claims in respect of social insurance contributions under national laws and regulation. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

Voluntary withdrawal from entering into definitive land grant contracts with the local PRC governments after successful bidding for land parcels may lead to the forfeit of the prepayment for the relevant land acquisitions

Under current PRC laws and regulations, we are required to make a certain deposit to the local PRC governments in order to participate in the tender, auction or listing process. This deposit typically becomes non-refundable after a developer wins a bid for a land parcel. In 2008, we participated in a land auction in Fuzhou and won a bid with respect to certain urban land parcels for a total land premium of RMB904 million. Based on our then understanding of the property market and business judgment, we decided not to proceed with our winning bid and terminated the land grant contract with the Bureau of Land Resources of Fuzhou. We had paid a deposit of RMB70 million with the Bureau of Land Resources of Fuzhou, which was consequently forfeited pursuant to the land grant contract. If we have to abort land acquisitions again in the future with similar consequences, our business, financial condition and results of operations will be materially and adversely affected.

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

Our controlling shareholder, Mr. Ou Zonghong, holds approximately 74.87% of our outstanding shares as of the date of this offering memorandum. The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the Notes. Our controlling shareholder could have 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 best interest and the best interest of our creditors, including the holders of the Notes, with respect to matters relating to our management and policies and the election of our directors and senior management. Our controlling shareholder 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.”

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. For example, we have registered the issuance of the Notes with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within ten working days in the PRC pursuant to the registration certificate. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation,

implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. 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.

The PRC government may adopt further measures to regulate the property sector

Investments in the PRC property sector have increased significantly in the past decade. In response to concerns over the rapid increase in property investments and property prices, from 2004 to the first half of 2008, the PRC government introduced various policies and measures to curtail property developments. In the second half of 2008 and in 2009, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage consumption in the residential property market and to support real estate development. However, since December 2009, the PRC government has adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities, including abolishing certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers; requiring higher minimum down payment, granting the right to commercial banks to stop lending, punishing speculative developers and requiring mandatory disclosure of property ownership; imposing property purchase restrictions on non-local residents, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers, and increasing mortgage interest rates and construction loan interest rates; increasing the minimum down payment to at least 60% of the total purchase price for second-property purchases with a minimum lending interest rate of at least 110% of the benchmark rate, in certain targeted cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties, launching new property tax schemes in certain cities on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase.

In August 2011, MOHURD urged provincial governments to implement home purchase restrictions to control property prices, and listed criteria for the implementation of restrictions. In the second half of 2011, in order to further cool down the property market, the PRC government extended home purchase restrictions to certain second- and third-tier cities in addition to 40 first and second-tier cities that had already adopted home purchase restriction measures. On February 26, 2013, the General Office of the State Council issued the Circular on Further Promoting Real Estate Market Regulation, which provides, among other things, that a 20% individual income tax should be levied on the difference between the sale proceeds and the purchase price for the owner's transfer of residence. At the end of 2013, a new round of policies aimed at promoting affordable housing and discouraging speculative investments in residential properties was announced in a number of large Chinese cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Fuzhou, Xiamen, Nanjing and Hangzhou. However, home purchase restriction policies have been relaxed recently. As of June 30, 2016, we had 39 property development projects through our subsidiaries located in five cities in China, all of which had introduced new rules to adjust home purchase restriction policies, abolishing such restrictions in the whole city, in some urban areas or with respect to certain eligible persons who lack local household registration. In 2016, municipal governments including Fuzhou and Xiamen adopted additional tightening measures. These measures include stricter examination and verification of the source of fund of a loan applicant's down payment, restricting the maximum monthly repayment to 50% of an applicant's income, regulating the use of house provident fund commission loans for first and second home purchases based on home size and the minimum down payment, and tightening of supervision over and restricting home purchases by non-local residents. For more information on the PRC government policies in the property sector, see "Regulations" and "Industry Overview—Real Estate Markets of Selected Cities in the PRC."

These and other future measures may limit our access to capital, reduce market demand for our products and increase our finance costs. We cannot assure you that the PRC government will not adopt more stringent policies,

regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes negatively impact our business, results of operations, financial condition and prospects may be materially and adversely affected.

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

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

From time to time, the PRC government issues laws, regulations or policies regarding mortgage financing to regulate the PRC property market. In January 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market, which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level. In April 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 sq.m. Further, pursuant to such notice, interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. In May 2010, MOHURD, PBOC and CBRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. According to a notice jointly issued by PBOC and CBRC on September 29, 2010, the minimum down-payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. In January 2011, the State Council issued a circular to further raise the minimum down-payment requirement for second home purchases to 60%. 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 borrower's monthly income or if the total debt service of the borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. On September 29, 2014, PBOC and CBRC jointly issued the "Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services" (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》), according to which, the reasonable housing loan demand of residential households shall be actively supported; where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied property. See the section headed "Regulations—Measures on Stabilizing Housing Price." If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, results of operations and financial condition may be materially and adversely affected.

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.

Changes in foreign exchange regulations may adversely affect our ability to transfer funds and subsequently impact the results of our operations

We currently receive most of our revenues from operations in the PRC and such revenues are denominated in Renminbi. The PRC government regulates the conversion between Renminbi and foreign currencies. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions and payment of dividends. However, foreign exchange transactions by our PRC subsidiaries under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. There can be no assurance that these PRC laws and regulations on foreign investment will not cast uncertainties on our financing and operating plans in China. Under current foreign exchange regulations in China, subject to the relevant registration at SAFE, we will be able to pay dividends in foreign currencies, without prior approval from SAFE, by complying with certain procedural requirements. However, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies might have a negative impact on our ability to service our foreign currency-denominated indebtedness and to distribute dividends to our shareholders in foreign currencies.

In addition, on August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or the Circular 142, a notice with respect to the administration of Renminbi converted from foreign exchange capital contributions of a foreign invested enterprise. As a result, unless otherwise permitted by PRC laws or regulations, such converted amount can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On March 30, 2015, SAFE issued the Circular on Reforming the Administration Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or Circular 19, which became effective on June 1, 2015 and replaced Circular 142. Circular 19 provides that, the conversion of the Renminbi capital from foreign currency registered capital of foreign-invested enterprises may be at foreign-invested enterprises' discretion, which means that the foreign currency registered capital of foreign-invested enterprises for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry of monetary contribution has been registered) can be settled at the banks based on the actual operational needs of the enterprises. However, Circular 19 maintains the restriction that Renminbi converted from foreign exchange capital contributions of foreign invested enterprises can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

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

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of floods, earthquakes, fires, droughts, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 or H7N9 avian flu, the swine flu, also known as Influenza A (H1N1) or Ebola virus disease. A recurrence of SARS or an outbreak of any other epidemics or other natural disasters in China, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our results of operations and financial condition.

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 our operations primarily 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. 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 June 30, 2016, our Non-Guarantor Subsidiaries had total debt in the amount of RMB30,975.0 million (US\$4,660.8 million), capital commitments in the amount of RMB17,030.4 million (US\$2,562.5 million) and contingent liabilities arising from guarantees in the amount of RMB13,293.1 million (US\$2,000.2 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.

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 these entities 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. Further, certain loan agreements and secured trust and other financing agreements obtained by our PRC subsidiaries from lender banks, trust companies, security companies and asset management companies in the PRC contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. 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.

The eligibility for the reduced tax rates described above on payments from our PRC subsidiaries to our Hong Kong subsidiaries is subject to limitations, including that the Hong Kong recipient company must be treated as the beneficial owner of the income and the PRC tax authorities approve the reduced withholding rate. There is no assurance that such approval will be granted by the PRC tax authorities.

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 have substantial indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations and to fund our capital expenditures

We currently have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total borrowings (including our current and non-current bank and other borrowings, the Private Corporate Bonds, the Public Corporate Bonds) as of December 31, 2013, 2014 and 2015 and June 30, 2016 were RMB8,472.0 million, RMB17,258.8 million, RMB16,372.6 million (US\$2,463.6 million) and RMB25,735.1 million (US\$3,872.3 million), respectively, and our gearing ratio, calculated as total borrowings less total of cash and cash equivalents, restricted cash and term deposits with initial terms of over three months divided by total equity, was 5.0 times, 15.4 times, 2.5 times and 0.9 times, respectively, as of the same dates. In July 2016, we also issued the fourth tranche of the Private Corporate Bonds in an aggregate principal amount of RMB2.9 billion (US\$0.4 billion) with a three-year term at a coupon rate of 5.8% per annum and the three tranches of the Rongxin Fujian 2016 Asset-backed Securities with an aggregate principal amount of RMB880.0 million (US\$132.4 million). Our substantial indebtedness and high gearing could have significant implications, including, among others:

- 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 for our business expansion, working capital and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors with lower levels of indebtedness;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase our cost of additional financing.

In the future, we may, from time to time, incur substantial additional indebtedness and contingent liabilities, in which case the risks that we face as a result of our substantial indebtedness could intensify.

Under the Indenture, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated 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 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 (i) the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense has become payable by us) and (ii) any distributions incurred, accrued or payment on any Perpetual Obligation that is accounted for as equity in accordance with the relevant generally accepted accounting principles, 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 existing and future debt obligations and to fund our capital expenditures will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, demand for properties in the regions we operate 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. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, our ability to meet the Fixed Charge Coverage Ratio requirement in the Indenture may be affected by events beyond our control. We cannot assure you that we will be able to meet such requirement. Certain of our other 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 any 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.

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

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a “Restricted Payment,” which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock for each of the year of 2016 and 2017 in an aggregate amount up to 20% of our profit for the year for each of the year of 2016 and 2017 without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

We may be subject to risks presented by fluctuations in exchange rates between the 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 the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to

1.0% on April 16, 2012 and further widened to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 24.5% from July 21, 2005 to June 30, 2016. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that, effective from October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. The fluctuations in exchange rates 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 and other indebtedness denominated in foreign currencies.

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

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

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

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, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes.” 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 a permitted business up to an aggregate amount of up to 15.0% 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 from the SGX-ST for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing of the Notes on 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 Fitch Ratings, B- by Standard & Poor's Rating Services and B3 by Moody's Investors Services. 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 are expected to be rated B+ with a stable outlook by Fitch Ratings, B with a stable outlook by Standard & Poor's Rating Services and 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 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 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. None of our 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. To the extent that our non-PRC subsidiaries that are prohibited by applicable laws or regulation from guaranteeing or having their shares pledged to secure the Notes (the “Exempted Subsidiaries”) or that are listed on a qualified exchange and their subsidiaries (the “Listed Subsidiaries”), they will not provide Subsidiary Guarantees or JV Subsidiary Guarantees for the Notes, neither. In addition, certain of our offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of those offshore subsidiaries not giving any Subsidiary Guarantees for the Notes (other than the Exempted Subsidiaries and Listed Subsidiaries) do not exceed 20% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. 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 (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% 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 consists only of the capital stock of certain initial Subsidiary Guarantor. 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 is shared on a pari passu basis by the holders of the 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.

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\$169.0 million, which we plan to use for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under “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. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

Period	Period end	Noon buying rate		
		Average⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2011	6.2939	6.4630	6.6364	6.2939
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016				
May	6.5798	6.5259	6.5798	6.4738
June	6.6459	6.5892	6.6481	6.5590
July	6.6371	6.6771	6.7013	6.6371
August	6.6776	6.6466	6.6778	6.6239
September	6.6693	6.6729	6.6855	6.6625
October	6.7735	6.7303	6.7819	6.6685
November (through November 18)	6.8873	6.8080	6.8873	6.7534

Source: Federal Reserve H.10 Statistical Release

Note:

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

HONG KONG

The 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:

<u>Period</u>	<u>Period end</u>	<u>Noon buying rate</u>		
		<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>
		(RMB per US\$1.00)		
2011	7.7663	7.7841	7.8087	7.7634
2012	7.7507	7.7569	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7519	7.7686	7.7495
2016				
May	7.7689	7.7635	7.7689	7.7582
June	7.7591	7.7620	7.7709	7.7568
July	7.7588	7.7568	7.7588	7.7540
August	7.7568	7.7560	7.7609	7.7528
September	7.7554	7.7566	7.7591	7.7539
October	7.7549	7.7570	7.7600	7.7536
November (through November 18)	7.7572	7.7562	7.7581	7.7546

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated cash and cash equivalents, total current borrowings and capitalization as of June 30, 2016 on an actual basis and on an as adjusted basis after giving effect to the gross proceeds from 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 unaudited interim consolidated condensed financial information and related notes included in this offering memorandum.

	As of June 30, 2016			
	Actual		As adjusted	
	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Cash and cash equivalents⁽¹⁾	12,298,983	1,850,612	13,422,140	2,019,612
Current borrowings				
Other borrowings—secured	2,866,000	431,243	2,866,000	431,243
Current portion of non-current borrowings	4,907,400	738,410	4,907,400	738,410
Total current borrowings	<u>7,773,400</u>	<u>1,169,653</u>	<u>7,773,400</u>	<u>1,169,653</u>
Non-current borrowings⁽²⁾				
Bank borrowings—secured	4,621,352	695,369	4,621,352	695,369
Other borrowings—secured	10,068,510	1,514,996	10,068,510	1,514,996
Public Corporate Bonds—unsecured	2,522,050	379,490	2,522,050	379,490
Private Corporate Bonds ⁽³⁾ —unsecured	5,657,220	851,234	5,657,220	851,234
Less: current portion of non-current borrowings	(4,907,400)	(738,410)	(4,907,400)	(738,410)
Notes to be issued	—	—	1,123,157	169,000
Total non-current borrowings	<u>17,961,732</u>	<u>2,702,679</u>	<u>19,084,889</u>	<u>2,871,679</u>
Total equity	<u>14,372,127</u>	<u>2,162,555</u>	<u>14,372,127</u>	<u>2,162,555</u>
Total capitalization⁽⁴⁾	<u>32,333,859</u>	<u>4,865,234</u>	<u>33,457,016</u>	<u>5,034,234</u>

Notes:

- (1) Cash and cash equivalents exclude restricted bank deposits of RMB526.3 million (US\$79.2 million).
- (2) Subsequent to June 30, 2016, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. In July 2016, Rongxin Fujian issued asset-backed securities in the principal amount of RMB880.0 million (US\$132.4 million) with a tenor of three years and at a couple rate of 4.8% to 5.4% per annum in the PRC. See “Description of Material Indebtedness and Other Obligations.” In August 2016, we entered into a three-year financing arrangement with Pingan Bank. The outstanding balance was RMB1,400.0 million (US\$210.7 million) as of the date of the offering memorandum. In September 2016, we entered into a three-year financing arrangement and a two-year financing arrangement with Bohai Bank and China Orient Asset Management Co., Ltd., respectively. The outstanding balance was RMB1,630.0 million (US\$245.3 million) and RMB1,500.0 million (US\$225.7 million), respectively, as of the date of the offering memorandum. In October 2016, we entered into two two-year financing arrangements with CITIC Bank. The outstanding balance was RMB1,000.0 million (US\$150.5 million) and RMB1,000.0 million (US\$150.5 million), respectively, as of the date of the offering memorandum. These additional borrowings are not reflected in the table above.
- (3) On July 29, 2016 Rongxin Fujian issued the fourth tranche of the Private Corporate Bonds in an amount of RMB2.9 billion (US\$0.4 billion) with a three-year term at a coupon rate of 5.8% per annum, which is not reflected in the table above.
- (4) Total capitalization includes total non-current borrowings plus total equity.

After the completion of this offering, we may incur additional debt, including Renminbi denominated borrowings or debt securities in China. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since June 30, 2016.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statements and other financial data for 2013, 2014 and 2015 and the six months ended June 30, 2015 and the summary consolidated balance sheets as of December 31, 2013, 2014 and 2015 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such periods and as of such dates, as audited by PricewaterhouseCoopers, the independent Certified Public Accountants, and included elsewhere in this offering memorandum. The summary consolidated income statement and other financial data for the six months ended June 30, 2016 and the summary consolidated balance sheet data as of June 30, 2016 set forth below (except for EBITDA data) have been derived from our unaudited interim condensed consolidated financial information for such period and as of such date, as reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Results for the interim period are not indicative of the results for the year. 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 INCOME STATEMENTS AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
Revenue	2,128,898	4,099,230	7,414,576	1,115,662	2,106,515	6,983,410	1,050,785
Cost of sales	(1,374,229)	(2,959,228)	(4,700,368)	(707,258)	(1,485,204)	(5,698,424)	(857,435)
Gross profit	754,669	1,140,002	2,714,208	408,403	621,311	1,284,986	193,350
Selling and marketing costs	(174,493)	(288,873)	(395,833)	(59,560)	(166,162)	(237,573)	(35,747)
Administrative expenses	(150,337)	(267,006)	(273,020)	(41,081)	(119,820)	(183,373)	(27,592)
Fair value gains on the remeasurement of joint ventures	—	—	—	—	—	278,074	41,841
Fair value gains on investment properties	—	—	—	—	—	9,000	1,354
Other income	3,396	3,729	7,320	1,101	4,716	4,750	715
Operating profit	433,235	587,852	2,052,675	308,863	340,045	1,155,864	173,921
Finance income/(costs)—net	2,071	5,025	(11,176)	(1,682)	5,674	41,274	6,210
Share of profits of investments accounted for using the equity method, net	324,204	240,724	422,539	63,579	116,772	305,241	45,929
Profit before income tax	759,510	833,601	2,464,038	370,760	462,491	1,502,379	226,060
Income tax expenses	(243,782)	(331,962)	(1,058,097)	(159,210)	(181,407)	(485,585)	(73,065)
Profit for the year/period	515,728	501,639	1,405,941	211,550	281,084	1,016,794	152,995
Profit for the year/period attributable to:							
Owners of the Company	517,691	506,507	1,432,813	215,593	288,806	858,164	129,126
Non-controlling interests	(1,963)	(4,868)	(26,872)	(4,043)	(7,722)	133,661	20,112
Holders of Perpetual Capital Instruments	—	—	—	—	—	24,969	3,757
	515,728	501,639	1,405,941	211,550	281,084	1,016,794	152,995
Other financial data (unaudited):							
EBITDA ⁽¹⁾	766,147	842,284	2,490,346	374,719	464,785	1,468,076	220,899
EBITDA margin ⁽²⁾	36.0%	20.5%	33.6%	33.6%	22.1%	21.0%	21.0%

Notes:

- (1) EBITDA consists of profit before income tax plus finance income/(costs)—net, depreciation of property, plant and equipment and amortization of intangible assets. 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 revenue and selling and distribution expenses and administrative 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. 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 BALANCE SHEETS

	As of December 31,				As of June 30, 2016	
	2013	2014	2015		(RMB'000)	(US\$'000)
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(unaudited)	(unaudited)
ASSETS						
Non-current assets						
Property, plant and equipment	111,250	463,864	840,824	126,518	1,052,657	158,392
Land use rights	513,393	498,590	483,787	72,795	487,975	73,425
Investment properties	—	—	—	—	3,328,000	500,760
Intangible assets	1,520	3,368	2,774	417	4,722	711
Investments accounted for using the equity method	609,595	2,355,819	2,534,738	381,399	1,831,412	275,570
Other receivables	2,896	2,691	—	—	—	—
Available-for-sale financial assets	—	1,000	46,000	6,922	46,000	6,922
Deferred tax assets	72,291	134,412	151,282	22,763	213,314	32,097
	<u>1,310,945</u>	<u>3,459,744</u>	<u>4,059,405</u>	<u>610,814</u>	<u>6,964,080</u>	<u>1,047,877</u>
Current assets						
Properties under development	8,574,473	14,907,113	23,338,429	3,511,703	27,158,681	4,086,532
Completed properties held for sale	920,535	866,423	1,301,888	195,893	7,245,754	1,090,259
Trade and other receivables and prepayments	3,690,376	7,664,116	1,868,565	281,161	8,458,831	1,272,789
Amounts due from related parties	3,324,359	2,713,147	—	—	—	—
Amounts due from customers for contract works	63,086	114,627	143,361	21,571	256,534	38,600
Prepaid taxation	145,660	390,218	205,499	30,921	358,232	53,903
Available-for-sale financial assets	9,000	20,000	41,000	6,169	—	—
Term deposits with initial terms of over three months	5,500	—	1,021,799	153,749	—	—
Restricted cash	14,505	741,736	74,458	11,204	526,339	79,198
Cash and cash equivalents	696,090	657,637	2,742,466	412,655	12,298,983	1,850,612
	<u>17,443,584</u>	<u>28,075,017</u>	<u>30,737,465</u>	<u>4,625,026</u>	<u>56,303,354</u>	<u>8,471,893</u>
Total assets	<u>18,754,529</u>	<u>31,534,761</u>	<u>34,796,870</u>	<u>5,235,840</u>	<u>63,267,434</u>	<u>9,519,770</u>
EQUITY						
Capital and reserves attributable to the owners of the Company						
Share capital	—	—	—	—	12	2
Share premium	—	—	989,745	148,926	2,485,669	374,015
Reserves	1,525,908	1,020,877	3,312,777	498,469	4,550,662	684,732
	<u>1,525,908</u>	<u>1,020,877</u>	<u>4,302,522</u>	<u>647,395</u>	<u>7,036,343</u>	<u>1,058,749</u>
Non-controlling interests	13,037	8,169	770,210	115,893	5,614,509	844,808
Perpetual Capital Instruments	—	—	—	—	1,721,275	258,998
Total equity	<u>1,538,945</u>	<u>1,029,046</u>	<u>5,072,732</u>	<u>763,288</u>	<u>14,372,127</u>	<u>2,162,555</u>

	As of December 31,				As of June 30, 2016	
	2013	2014	2015			
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
				(unaudited)	(unaudited)	(unaudited)
LIABILITIES						
Non-current liabilities						
Deferred income tax liabilities	—	—	—	—	1,405,506	211,485
Borrowings	4,985,700	10,999,600	6,926,063	1,042,156	17,961,732	2,702,679
	4,985,700	10,999,600	6,926,063	1,042,156	19,367,238	2,914,164
Current liabilities						
Trade and other payables	640,588	1,277,317	2,273,632	342,110	5,343,124	803,973
Amounts due to related parties	1,871,328	3,207,622	265,007	39,875	113,316	17,051
Dividend payable	—	338,000	—	—	—	—
Pre-sale proceeds received from customers	6,088,312	8,099,997	10,083,124	1,517,194	14,859,067	2,235,825
Current income tax liabilities	143,316	323,979	729,812	109,814	1,439,162	216,549
Borrowings	3,486,340	6,259,200	9,446,500	1,421,403	7,773,400	1,169,653
	12,229,884	19,506,115	22,798,075	3,430,396	29,528,069	4,443,051
Total liabilities	17,215,584	30,505,715	29,724,138	4,472,552	48,895,307	7,357,215
Total equity and liabilities	18,754,529	31,534,761	34,796,870	5,235,840	63,267,434	9,519,770
Net current assets	5,213,700	8,568,902	7,939,390	1,194,630	26,775,285	4,028,842

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 "2013," "2014," "2015," "the first half of 2015" and "the first half of 2016" refer to our financial years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

OVERVIEW

We are a property developer in the PRC that focuses on the development of residential properties in cities in the Western Taiwan Straits Economic Zone and selected first and second-tier cities. The Western Taiwan Straits Economic Zone is an area centered around the coastal areas of Fujian province and is often associated with entrepreneurship and economic growth.* We believe we have a leading market position in Fujian province and Fuzhou, the capital city of Fujian province. We were ranked first in Fujian on the "Top 20 Real Estate Developers in Fujian province in 2016" list and 28th nationwide on the "Top 50 Real Estate Developers in China in 2016" list, jointly compiled by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Evaluation Center based on a comprehensive set of criteria, including size, risk management, profitability, growth potential, operating results, innovation and social responsibility. According to CRIC, based on pre-sale data reported by developers to the Fuzhou Real Estate Transaction Center as required by local regulations, we were ranked second in the urban districts (namely, Gulou, Taijiang, Cangshan, Mawei and Jin'an) of Fuzhou in terms of pre-sales in the six months ended June 30, 2016.** We have been listed on the Hong Kong Stock Exchange since January 2016. On September 5, 2016, we became a constituent stock of the Hang Seng Composite Small Cap Index.

We commenced our business in 2003 and have historically focused our property development in the Western Taiwan Straits Economic Zone, capturing the opportunities presented by its rapidly growing economy. We have a well-established development portfolio in this area, including projects in Fuzhou, Zhangzhou and Xiamen. Leveraging our success and experience in the Western Taiwan Straits Economic Zone, we have expanded into Shanghai and Hangzhou, which are important economic centers in the Yangtze River Delta. We intend to solidify our market position in the Western Taiwan Straits Economic Zone and enhance our position in Shanghai and Hangzhou while further expanding in a prudent manner into other first and second-tier cities.

As of June 30, 2016, we had 39 property development projects, through our subsidiaries, that are at various stages of development, including 17 located in Fuzhou, two in Xiamen, five in Zhangzhou, six in Shanghai and nine in Hangzhou. As of the same date, we had four projects we jointly controlled with other property developers and one project we operated with another property developer in which we had no control in the same region. As of June 30, 2016, these projects developed through our subsidiaries had an estimated total GFA attributable to us of approximately 5.4 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.3 million sq.m., properties under development with an aggregate GFA attributable to us of approximately 2.8 million sq.m. and properties held for future development with an

* Encompassing certain cities and areas in Fujian, Zhejiang, Guangdong and Jiangxi provinces. See the section headed "Industry Overview—Development of the Western Taiwan Straits Economic Zone."

** For purposes of this ranking, all pre-sale results of Shiou Group, our 50%-owned joint venture before March 2016 and became our subsidiaries since March 2016, were attributed to us. Our ranking would remain first with only 50% of the pre-sale results of Shiou Group attributed to us, based on our internal calculations.

aggregate estimated GFA attributable to us of approximately 2.3 million sq.m. As of the same date, these projects developed by our joint ventures had an estimated total GFA attributable to us of approximately 0.8 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.1 million sq.m., completed GFA held for investment with an aggregate GFA attributable to us approximately 0.7 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 0.2 million sq.m., and projects developed by our associated company had an estimated total GFA attributable to us of approximately 0.2 million sq.m., including properties under development with an aggregate GFA attributable to us of approximately 0.17 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 0.04 million sq.m.

The table below sets forth a basic breakdown of these categories of projects as of June 30, 2016:

	<u>Number of projects</u>	<u>Total GFA attributable to us</u>	
		<u>(sq.m.)</u>	<u>(%)</u>
Projects held by our subsidiaries	39	5,407,676	84.8
Projects held by our joint ventures	4	762,346	11.9
Projects held by our associated company	1	208,044	3.3
	<u>44</u>	<u>6,378,066</u>	<u>100.0</u>

As of June 30, 2016, our properties held for future development included an aggregate estimated GFA attributable to us of approximately 1.3 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts and had either paid the relevant land premiums and were awaiting the relevant government agencies to issue the land use rights certificates or had not paid the relevant land premiums because (a) the relevant local governments had extended the relevant payment period as they had not completed resettlement and infrastructure work in relation to the land parcels or (b) the relevant land premiums had not become due.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our revenue was RMB2,128.9 million, RMB4,099.2 million, RMB7,414.6 million (US\$1,115.7 million), RMB2,106.5 million and RMB6,983.4 million (US\$1,050.8 million), respectively, and the profit attributable to our owners was RMB517.7 million, RMB506.5 million, RMB1,432.8 million (US\$215.6 million), RMB288.8 million and RMB858.2 million (US\$129.1 million), respectively.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. Some of the key factors include the following:

The PRC Economy and Its Impact on the Property Markets

Economic growth, urbanization and rising disposable income in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is significantly dependent on the PRC's overall economic growth, including the increase in the purchasing power of the consumers in the PRC and the resulting demand for properties. The overall economic growth in the PRC and the rate of urbanization will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. Such macroeconomic dynamics and policies have in the past affected and will likely continue to affect the supply and demand for properties and property pricing trends in the cities and regions where we operate. If we fail to respond to changes in market conditions in a timely manner, there may be a material adverse effect on our business, results of operations and financial condition.

The Regulatory Environment and Measures Affecting the Real Estate Industry in China

Our business has been, and will continue to be, affected by the regulatory environment in China, including, specifically, policies and measures adopted by the PRC government on the property development and related industries. In recent years, the PRC government has implemented a series of measures to contain the pace of economic growth, particularly the perceived over-heating in the real estate market. While the PRC government may still regard the real estate industry important, it has taken restrictive measures to discourage speculation and increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic policies to encourage or restrict development in the property sector through regulating, among others, land grants, pre-sales of properties, bank financing, mortgage and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business. The PRC government may introduce initiatives which may affect our access to capital and the means through which we finance our property developments.

Since the first half of 2010, in response to the rising property prices across the country, the PRC government announced new policies and adopted new measures to curtail speculation in the property market and imposed more stringent requirements on the payment of land premiums by property developers. These policies include the abolishment of certain preferential treatment in respect of business tax payable upon transfer of residential properties, increased minimum down-payment for mortgage loans, more stringent requirements on the payment of land premium, further limits on the number of residential properties one household can buy, a trial property tax scheme in Shanghai and Chongqing and a 20% capital gains tax on residential property re-sales. More recently, the property market in the PRC has witnessed signs of a slowdown, with some local governments having issued cooling measures to curtail speculation in the property market. PRC regulatory measures in the real estate industry will continue to impact our business. See “Regulation” in this offering memorandum for more details on the relevant PRC laws and regulations.

Ability to Acquire Suitable Land at Reasonable Cost for Future Development

Based on our current development plans, we believe we have sufficient land reserves for our property developments in the near future. Our continued growth and profitability, however, depend to a large extent on our ability to continue to acquire quality land at reasonable cost to replenish our land bank. Land acquisition costs are one of the primary components of our cost of sales for property development. Over the past few years, land premiums in China have generally increased as a result of the growing PRC economy. We believe that if the PRC economy continues to grow, demand for residential properties is likely to remain strong and competition for land reserves suitable for property development will intensify. Our costs of land use rights are affected by a number of factors, including location, timing of acquisition and the plot ratios of the proposed property developments. Costs of land use rights are also affected by our method of acquisition, whether by PRC government-organized tenders, auctions or listings-for-sale or through acquisitions of other companies that hold land use rights. See “Regulations—Sale of Real Estate.” Furthermore, since March 2010, the Ministry of Land and Resources has required that the minimum land premium be not less than 70% of a benchmark price for the location and the minimum bidding deposit for a real estate developer be not be less than 20% of the land premium. This and other PRC government policies on land sales will continue to affect our ability to bid for and acquire land.

Pre-sale

Pre-sales provide an important source of our operating cash inflow during the course of property development. PRC laws allow us to pre-sell properties before their completion upon obtaining a pre-sale permit from the relevant governmental authorities with the requirement that we use the pre-sale proceeds to develop the same property projects. Once we fulfill the conditions governed by the PRC laws, we receive the pre-sales permit for such property development in phases and can then commence the pre-sales of a property. However, we do not recognize revenue from the pre-sale of a property until the property has been completed and a delivery notice has been sent to the purchaser.

The timing of pre-sale is dependent upon the progress of property development, since the issuance of a pre-sale permit is subject to specified criteria on the degree of completeness of the construction works. The progress of property development, which can be affected by many factors out of our control, may therefore affect our ability to commence pre-sale or deliver properties to our customers within the specified time limit and in turn affect the amount and timing of cash inflows from pre-sales or revenue we can recognize upon delivery of properties. We also time the launch of our pre-sales depending on the location, type of property and public holidays. Any reduced cash inflow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments.

Timing and Length of Property Development

Our results of operations tend to fluctuate from period to period. The number of property developments that a developer can undertake during any particular period is limited due to the substantial amount of capital required to fund land acquisitions and construction and subject to the availability of suitable land. Property development normally takes many months before any pre-sale takes place and even longer to complete. According to our accounting policy for revenue recognition, although the pre-sale of a property generates positive cash flows for us in the period in which it is made, no revenue is recognized in respect of the sale of a property until its development has been completed and the property has been delivered to the purchaser. See “—Critical Accounting Policies and Estimates—Revenue Recognition” below for more details. Since the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Furthermore, our interim results may not be indicative of our annual results.

Construction Costs

Our results of operations are significantly affected by the construction costs relating to properties sold. Construction costs typically consist of costs for the design and construction of projects, including primarily payments to third-party contractors and architects as well as capitalized expenses. Construction costs of our projects vary not only according to the floor area and height of the buildings, but also the geology of the construction site. Our construction costs are affected by price volatility of construction materials such as steel and cement because, even though we engage third-party contractors to carry out construction works and do not directly procure construction materials, our payments to contractors are subject to contractual adjustments for any material fluctuation in the price of construction materials. If the cost of construction materials increase exceeds materiality threshold in the relevant contracts we have with construction contractor, we may be required to reimburse our contractors for any short fall. Our construction costs have also been affected by rising labor costs in the PRC in recent years. We expect the trend to continue in the future. In addition, while we work closely with our external contractors and monitor the quality and progress of the construction and design processes, the contractors could introduce a performance risk which could have an adverse effect on our results of operations. See “Risk Factors—Risks Relating to Our Business—Any breach of contractual obligations by third-party contractors for the construction of our property development projects may adversely affect our results of operations and financial condition” and “—Fluctuations in the price of construction materials and our construction contractors’ labor costs could affect our business and financial performance” in this offering memorandum. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our construction costs of properties sold were RMB828.6 million, RMB1,086.9 million, RMB2,673.5 million (US\$402.3 million), RMB812.0 million and RMB2,178.0 million (US\$327.7 million), respectively, which represented 62.6%, 38.0%, 57.9%, 55.9% and 38.8%, respectively, of our total cost of properties sold.

Access to Capital and Cost of Financing

We fund our business operations primarily through internally generated funds and trust and other financing arrangements, including corporate bonds, perpetual capital instruments and asset-backed securities, in addition to traditional bank borrowings. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our outstanding bank

borrowings, other borrowings, Public Corporate Bonds and Private Corporate Bonds in aggregate amounted to RMB8,472.0 million, RMB17,258.8 million, RMB16,372.6 million (US\$2,463.6 million) and RMB25,735.1 million (US\$3,872.3 million), respectively. As of the same dates, the weighted average effective interest rates of our outstanding borrowings (including bank borrowings and trust and other borrowings) were 10.53%, 10.88%, 10.50% and 7.94%, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, and the interest rates on trust and other borrowings are typically benchmarked against the PBOC rates as well, any increase in such benchmark lending rates will increase the interest costs related to our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on lending for property development. In addition, since we use trust and other borrowings on a substantial scale, our cost of financing is affected by the proportion of trust and other borrowings in our overall external financing since trust financing typically costs more than traditional bank borrowing. As of June 30, 2016, our trust and other borrowings amounted to RMB12,934.5 million (US\$1,946.2 million), which represented 50.3% of our total borrowings. As of June 30, 2016, RMB1.7 billion (US\$0.2 billion) of the perpetual capital instrument was outstanding.

LAT

We are required to pay LAT on our property developments with respect to any appreciation in value of the related land. In 2013, 2014, 2015 and the six months ended June 30, 2015 and 2016, we made provisions for LAT of RMB174.9 million, RMB229.8 million, RMB663.0 million (US\$99.8 million), RMB121.5 million and RMB244.1 million (US\$36.7 million), respectively. We cannot assure you that the relevant tax authorities will always agree with the basis on which we have calculated our LAT liabilities for provision purposes or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Our financial position may be adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our LAT provisions. See “Risk Factors—Risks Relating to Our Businesses—If our provisions for LAT prove to be insufficient, our financial results would be adversely affected” in this offering memorandum.

Expansion into Other Cities

Our continuing growth depends, to a significant extent, on our ability to expand into other cities. We began our business in Fuzhou and, over the years, have expanded into other cities in Fujian province, including Xiamen and Zhangzhou, as well as Shanghai and Hangzhou. We intend to expand into other first- and second-tier cities in the PRC in a prudent manner. Despite our past record of expansion, as we enter new markets, we may not have the same level of familiarity with local contractors, business practices, customs and customer tastes, behavior and preference. If we cannot successfully leverage our experience or understand the property market in any other cities which we target for expansion, our business, results of operations and financial position will be adversely affected.

BASIS OF PREPARATION POLICIES AND ESTIMATES

The preparation of financial statements in conformity with HKFRS requires us to adopt accounting policies and make judgments, estimates and assumptions that affect amounts reported in our financial statements. In applying these accounting policies, we make subjective judgments, based on experience and other factors, that may be complex and frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the real estate industry, while others are specific to our business and operations. Actual results may differ from those estimates and assumptions. The following section discusses the accounting policies applied in preparing our financial statements that we believe are most dependent on the application of these judgments and estimates and certain other significant accounting policies. No material deviation of our estimates as compared to our actual results were noted in the past, no material changes were made to our estimates in the past and no material changes will likely be made to our estimates in the future.

Revenue Recognition

We measure revenue at the fair value of the consideration received or receivable which represents amounts receivable for the sales of properties and services provided, stated net of discounts returns and after eliminating sales within our Group.

We recognize revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group's activities, as described below. We base our estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

Sales of Properties

We recognize revenue from sales of properties when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed, notification of delivery of properties have been issued to the buyers and collectability of related receivables pursuant to the sale agreements is reasonably assured. We include deposits and installments received on properties sold prior to the date of revenue recognition in our consolidated balance sheets as "pre-sale proceeds received from customers" under current liabilities.

When constructing properties, we typically divide the development projects into phases. We deliver the properties that have been completed and recognize revenue from the delivery of such properties during the reporting period. Such delivery can occur prior to the completion of the whole development project.

Construction Contracts

When we can reliably estimate the outcome of a construction contract and it is probable that the contract will be profitable, we recognize contract revenue over the period of the contract by reference to the stage of completion. We recognize contract costs as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, we recognize the expected loss as an expense immediately.

When we cannot reliably estimate the outcome of a construction contract, we recognize contract revenue only to the extent of contract costs incurred that are likely to be recoverable.

We include in contract revenue variations in contract work, claims and incentive payments to the extent that may have been agreed with the customer and are capable of being reliably measured.

We use the "percentage-of-completion" method to determine the appropriate amount to recognize in a given period. We measure the stage of completion by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the state of completion, we exclude costs incurred in the period in connection with future activity on a contract from contract costs.

On the balance sheet, we report the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Interest Income

We recognize interest income using the effective interest method.

Properties under Development and Completed Properties Held for Sale

We assess the carrying amounts of properties under development and completed properties held for sale according to their net realizable value based on the realizability of these properties. Net realizable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realizable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there is no material impairment for properties under development and completed properties held for sale as of June 30, 2016.

Land Use Rights

We measure land use rights acquired by us for property development at the lower of cost and net realizable value. If the underlying development projects are within normal operating cycles, we record the land use rights under "properties under development" or "completed properties held for sale," as applicable, under current assets; if the projects are out of a normal operating cycle we record the land use rights under non-current assets. We record land use rights underlying hotel properties and self-use properties as non-current assets, initially at cost and subsequently amortized in our consolidated statements of comprehensive income on a straight-line basis over the operating lease periods.

Borrowing Cost

We add general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

We recognize all other borrowing costs in profit or loss in the period in which they are incurred.

Financial Guarantee Liabilities

We account for financial guarantee contracts that are within the scope of HKAS39 "Financial Instrument: Recognition and Measurement" as financial liabilities. We recognize a financial guarantee contract initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequently, we measure the financial guarantee contract at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization.

Corporate Income Tax and Deferred Taxation

We are subject to corporate income tax in the PRC. Significant judgment is required in determining the provision for corporate income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made. Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

LAT

We are subject to LAT in the PRC. We have not finalized our LAT calculation and payments with local tax authority in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. We recognize LAT based on our best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalized with local tax authority.

Fair Value of Investment Properties, Whether Held by Joint Ventures or Our Subsidiaries

Investment properties, whether held by joint ventures or our subsidiaries, including completed investment properties and investment properties under construction, are carried at their fair value. The fair value of the investment properties is determined by reference to valuations conducted on these properties by independent property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favorable or unfavorable changes to these assumptions may result in changes in the fair value of the investment properties, which will, in turn, lead to changes in our profits attributable to owners of our Company.

CERTAIN ITEMS IN CONSOLIDATED INCOME STATEMENTS

Revenue

We derive revenue from sales of properties in the PRC and certain construction contracts with local PRC governments with respect to construction of resettlement housing. The following table sets out a breakdown of our revenue recognized from such sources for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,					
	2013		2014		2015		2015		2016			
	(RMB'000)		(RMB'000)		(RMB'000)	(US\$'000)	(RMB'000)		(RMB'000)	(US\$'000)		
Revenue												
Sales of properties	2,075,439	97.5%	3,996,186	97.5%	7,326,711	1,102,441	98.8%	2,073,632	98.4%	6,865,200	1,032,998	98.3%
Construction contracts	53,459	2.5%	103,044	2.5%	87,865	13,221	1.2%	32,883	1.6%	92,701	13,949	1.3%
Rental income	—	—	—	—	—	—	—	—	—	25,509	3,838	0.4%
	<u>2,128,898</u>	<u>100.0%</u>	<u>4,099,230</u>	<u>100.0%</u>	<u>7,414,576</u>	<u>1,115,662</u>	<u>100.0%</u>	<u>2,106,515</u>	<u>100.0%</u>	<u>6,983,410</u>	<u>1,050,785</u>	<u>100.0%</u>

Sales of properties. The following table sets out a breakdown of our revenue, GFA delivered and recognized ASP from sales of properties by type of property:

	For the year ended December 31,			For the six months ended June 30,	
	2013	2014	2015	2015	2016
Revenue (RMB in thousands)					
Residential	1,843,931	3,587,575	6,629,183	1,870,695	6,329,317
Commercial	38,429	85,578	66,024	—	365,913
Car Parks	193,079	323,033	631,504	202,937	169,970
Total	<u>2,075,439</u>	<u>3,996,186</u>	<u>7,326,711</u>	<u>2,073,632</u>	<u>6,865,200</u>
GFA Delivered (sq.m.)					
Residential	133,585	201,569	488,643	177,008	435,902
Commercial	1,719	4,051	2,798	—	17,150
Car Parks	28,575	35,684	98,259	34,163	19,961
Total	<u>163,879</u>	<u>241,304</u>	<u>589,700</u>	<u>211,171</u>	<u>473,013</u>
Recognized ASP (RMB per sq.m.)					
Residential	13,803	17,798	13,567	10,568	14,520
Commercial	22,351	21,125	23,597	—	21,336
Car Parks	6,757	9,053	6,427	5,940	8,515
All properties	12,664	16,561	12,424	9,820	14,514

Construction contracts. In 2013, 2014 and 2015 and the six months ended June 30, 2016, in connection with our development of the Lan County, The Coast and other projects, as specified in the relevant land grant contracts, we cooperated with the local governments in constructing resettlement housing units adjacent to our own developments. Under this arrangement, we do not own the land use rights to the land parcels underlying the resettlement properties and are only providing a service to the local governments in conducting property development. See “Business—Construction of Resettlement Housing.” As compensation for rendering our services under our contracts with the local governments, we received payments from the governments, which we recognized as revenue based on a percentage-of-completion basis.

Under such arrangements, we were required to make payments to the local governments as nominal deposits with respect to the relevant land parcels. These deposits will be refunded to us, without interest, according to a pre-determined schedule linked to progress of development. We have accounted for these deposits to be refunded to us on our balance sheet under “Trade and Other Receivables and Prepayments.”

The following table sets forth our projects that had construction contract arrangements as of June 30, 2016:

<u>Project</u>	Actual/Planned total GFA for construction contracts	Group’s interest
	(sq.m.)	
The Coast	49,934	100%
Long Island	207,000	100%
The Twin Harbor City	476,530	100%
Imperial Villa	6,266	51%
Hangzhou Mansion	16,013	100%
Hot Spring City	7,922	50%
Qinlong Project	2,226	51%
Total	<u>765,891</u>	

Of these construction contracts, only those relating to the Lan County, The Coast, the Hangzhou Mansion and the Hot Spring City projects generated revenue and, accordingly, cost of sales in 2013, 2014 and 2015 and the six months ended June 30, 2016. As of June 30, 2016, Imperial Land and French Legend, projects developed by our joint ventures, and Zhangzhou Wanke City, a project developed by an associated company, also had construction contract arrangements.

Rental Income. In March 2016, the then joint venture partners of Shiou Group have transferred the controlling rights of the jointly controlled projects to our Group, following which consolidation, Shiou Group is considered as our 50% owned subsidiary and its results of operations and financial position are consolidated into our Group's consolidated financial information. As a result, we recorded rental income received from a shopping mall of Shiou Group since March 2016.

Cost of Sales

Our cost of sales comprises cost of properties sold, which represents costs directly associated with revenue from sales of properties recognized during the given period, and cost of construction contracts. We recognize the cost of properties sold and cost of construction contracts for a given period to the extent that revenue from the sale of such properties or such contracts is recognized in such period.

Cost of Properties Sold

Cost of properties sold includes construction cost, cost of land use rights, capitalized interest and business and other taxes. The table below sets forth our cost of properties sold for the periods indicated:

	For the year ended December 31,										For the six months ended June 30,							
	2013				2014				2015				2015			2016		
	Cost of Sales		Cost per GFA delivered		Cost of Sales		Cost per GFA delivered		Cost of Sales		Cost per GFA delivered		Cost of Sales		Cost per GFA delivered			
	(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)			
	(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)	(US\$'000)	(RMB'000)		(RMB'000)		(RMB'000)	(US\$'000)	(RMB'000)			
Cost of properties sold																		
Construction cost	828,551	62.6%	5.1	1,086,859	38.0%	4.6	2,673,527	402,282	57.9%	4.5	811,979	55.9%	3.8	2,178,016	327,723	38.9%	4.6	
Cost of land use																		
rights	178,485	13.5%	1.3	1,246,145	43.5%	6.1	993,413	149,478	21.5%	1.7	393,409	27.1%	2.2	2,378,694	357,919	42.5%	5.0	
Capitalized interest	201,227	15.2%	1.2	304,958	10.7%	1.3	538,974	81,099	11.7%	0.9	132,197	9.1%	0.6	659,342	99,210	11.8%	1.4	
Business taxes and																		
other taxes	116,225	8.7%	0.7	223,786	7.8%	0.9	410,296	61,737	8.9%	0.7	116,123	8.0%	0.5	384,448	57,847	6.8%	0.8	
Total	1,324,488	100.0%	8.3	2,861,748	100.0%	12.9	4,616,210	694,595	100.0%	7.8	1,453,708	100.0%	7.2	5,600,500	842,700	100.0%	11.8	

Construction cost of properties sold

Construction cost of properties sold includes all of the costs for the design and construction of a project, including payments to third-party contractors and designers which typically cover the cost of construction materials. Our construction costs are affected by a number of factors such as changes in construction labor costs and construction materials costs (particularly steel and cement), location and types of properties, choice of materials, landscaping and development of ancillary facilities.

Cost of land use rights of properties sold

Cost of land use rights of properties sold represents costs relating to our acquisition of land. Our cost of land use rights of properties sold is influenced by a number of factors, including location, timing of the acquisition and a project's plot ratios. Cost of land use rights of properties sold is also affected by our method of acquisition, whether by PRC government-organized tenders, auctions or listings-for-sale, through private sale transactions and cooperative agreements with third parties in the secondary market. Our cost of land use rights of properties sold can be materially affected by PRC government policies and regulations on the transfer of land use rights for property development.

Capitalized interest

Capitalized Interest represents interest costs that had been capitalized into the relevant properties when they were under development.

Business taxes and other taxes

Business taxes and other taxes include certain miscellaneous business and other taxes payable by us and our various operating subsidiaries in accordance with local laws and regulations in connection with our business activities. Business taxes are generally levied at 5% of revenue from our property development subsidiaries, while surcharges vary from city to city, usually ranging from 10% to 12% of business tax.

Cost of Construction Contracts

We recognize cost of construction contracts in a given period to the extent we recognize the relevant revenue, based on percentage of completion. The table below sets forth our cost of construction contracts for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2013		2014		2015			2015		2016		
	(RMB'000)		(RMB'000)		(RMB'000)	(US\$'000)		(RMB'000)		(RMB'000)	(US\$'000)	
Cost of construction contracts												
Cost of construction contracts	41,636	83.7%	87,009	89.3%	79,901	12,023	94.9%	29,902	94.9%	85,151	12,813	96.7%
Business taxes and other taxes	8,105	16.3%	10,471	10.7%	4,258	641	5.1%	1,594	5.1%	2,947	443	3.3%
Total	<u>49,741</u>	<u>100.0%</u>	<u>97,480</u>	<u>100.0%</u>	<u>84,159</u>	<u>12,664</u>	<u>100.0%</u>	<u>31,496</u>	<u>100.0%</u>	<u>88,098</u>	<u>13,256</u>	<u>100.0%</u>

Gross Profit

Gross profit represents revenue less cost of sales.

Selling and Marketing Costs

Selling and marketing costs include staff costs, advertisement expenses, office and travel expenses, property management fees and others. Others include vehicle use fee, depreciation, amortization and other miscellaneous fees and expenses. Our selling and marketing costs in any period may be affected by the number of newly introduced developments in that period. The following table sets forth our selling and marketing costs for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Staff costs	22,841	40,125	67,279	10,123	23,520	55,103	8,291
Advertisement expenses	131,032	207,428	246,821	37,139	115,761	127,124	19,128
Office and travel expenses ...	2,746	5,659	7,658	1,152	3,201	7,105	1,069
Property management fees ...	13,047	27,590	43,354	6,523	17,199	18,002	2,709
Commission fees	—	527	20,619	3,103	—	20,869	3,140
Others	4,827	7,544	10,102	1,520	6,481	9,370	1,410
Total	<u>174,493</u>	<u>288,873</u>	<u>395,833</u>	<u>59,560</u>	<u>166,162</u>	<u>237,573</u>	<u>35,747</u>

Administrative Expenses

Administrative expenses mainly include staff costs representing salaries and benefits for our administrative personnel, other taxes, listing expenses, office and travel expenses, entertainment expenses, audit fees, office

lease expenses, depreciation and amortization and others. Others include consulting fees, vehicle use fee, conference fee, insurance fee for property, financial service fee, recruitment cost, non-operating expenses and other miscellaneous fees and expenses. The following table sets forth our administrative expenses for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Staff costs	50,685	97,553	88,610	13,333	36,620	60,549	9,111
Other taxes	21,960	39,057	20,832	3,135	8,303	21,481	3,232
Listing expenses	—	14,420	16,334	2,458	7,082	3,834	577
Office and travel expenses ...	9,953	15,683	16,039	2,413	6,833	9,328	1,404
Entertainment expenses	14,789	14,893	11,730	1,765	5,654	7,690	1,157
Audit fees	693	852	4,494	676	388	1,926	290
Office lease expenses	7,209	17,402	19,470	2,930	8,689	10,571	1,591
Depreciation and amortization	7,414	9,084	10,495	1,579	5,222	5,620	846
Others	37,634	58,062	85,016	12,792	41,029	62,374	9,385
Total	<u>150,337</u>	<u>267,006</u>	<u>273,020</u>	<u>41,081</u>	<u>119,820</u>	<u>183,373</u>	<u>27,592</u>

Fair Value Gains on the Remeasurement of Joint Ventures

During the six months ended June 30, 2016, the joint venture partners of Shiou Group and Huacao Projects developed by Huacao Group have transferred the controlling rights of the jointly controlled projects to our Group. Prior to the consolidation of the financial results of Shiou Group, Shiou Group was accounted as our 50% owned joint venture, and our interest in Shiou Group was recognized as share of profits of investments accounted for using the equity method. Following the consolidation, Shiou Group is consolidated as our 50% owned subsidiary, and its results of operations and financial position are consolidated in our Group's consolidated financial information. Similarly, prior to the consolidation of the financial results of Huacao Group, Huacao projects were accounted as our joint ventures with Greenland Group, and our interest in the Huacao projects were recognized as share of profits of investments accounted for using the equity method. Following the consolidation, Shanghai Kaiyu, Shanghai Kaichang, Shanghai Kairi and Shanghai Kaichong of the Huacao Group became our consolidated subsidiaries, and its results of operations and financial position are consolidated in our Group's consolidated financial information. Shiou Group, and Shanghai Kaiyu, Shanghai Kaichang, Shanghai Kairi and Shanghai Kaichong of the Huacao Group, which became our consolidated subsidiaries since March 2016 after the controlling rights of the jointly controlled projects have been transferred to our Group. We currently indirectly own a 50% equity interest in Shiou Group, Shanghai Kaiyu, Shanghai Kaichang and Shanghai Kairi, and own a 25% equity interest in Shanghai Kaichong.

Accordingly, the investments in the joint ventures are remeasured to fair value at the date when our Group obtained the control, and are deemed to have been disposed in exchange with the consolidation of subsidiaries, the resulting gains from the remeasurements are recognized in our Group's consolidated statement of comprehensive income in accordance with HKFRS.

Fair Value Gains on Investment Properties

We measure our investment properties at fair value. The fair value of our investment properties as of June 30, 2016 has been determined on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professional qualified valuer. As of June 30, 2016, investment properties of RMB3,328.0 million (US\$500.8 million) were pledged as collateral for our bank borrowings.

Other Income

Other income primarily includes gains from certain cash management products and deposits forfeited from some of our prospective customers who breached property purchase agreements.

Finance Income/(Cost)

Finance income/(cost) primarily consists of interest income from bank deposits and net foreign exchange gains. During 2013, 2014 and 2015, we made certain advances to certain of our joint ventures and an associated company proportionally with our project partners as part of the mutually agreed funding arrangements for the relevant projects. We entered into an agreement in December 2015 to transfer our rights over such advances in an aggregate amount of approximately RMB1,871.9 million (US\$281.7 million) to a trust company at consideration of approximately RMB1,797.0 million (US\$270.4 million) on a non-recourse basis. The difference of approximately RMB74.9 million (US\$11.3 million) was recognized as finance costs in the consolidated income statement in 2015.

Share of Profits of Investments Accounted for Using the Equity Method, net

We accounted for our interests in joint ventures and an associated company in 2013, 2014 and 2015 and the six months ended June 30, 2016 using the equity method. Share of profits of investments accounted for using the equity method, net represents the aggregate profits of such joint ventures and associated company as weighted by our respective shares of beneficial ownership. The following table sets forth selected information on such joint ventures and associated company had in 2013, 2014 and 2015 and the six months ended June 30, 2016:

<u>Company</u>	<u>Our beneficial ownership</u>	<u>Project</u>	<u>City</u>
Shiou Group ⁽¹⁾	50%	Riverside City, Beyond City ⁽²⁾ , Lan Hill and Show Kingdom	Fuzhou
Shanghai Kaitai	50%	Shanghai Xujing Project	Shanghai
Shanghai Kaidai	50%	French Legend	Shanghai
Liboshuntai Property	50%	West Coast	Fuzhou
Shanghai Kaiyu ⁽¹⁾	50%	Shanghai Huacao Lot I	Shanghai
Shanghai Kairi ⁽¹⁾	50%	Shanghai Huacao Lot II	Shanghai
Shanghai Kaichang ⁽¹⁾	50%	Shanghai Huacao Lot IV	Shanghai
Hairong (Zhangzhou) Property Co., Ltd.	50%	Imperial Land	Zhangzhou
Shanghai Kaichong ⁽³⁾	25%	Shanghai Huacao Lot III	Shanghai
Zhangzhou City Wankebinjiang Property Co., Ltd. ⁽⁴⁾	20%	Zhangzhou Wanke City	Zhangzhou

Notes:

- (1) Shiou Group, and Shanghai Kaiyu, Shanghai Kaichang and Shanghai Kairu of the Huacao Group became our consolidated subsidiaries since March 2016 after the controlling rights of the jointly controlled projects have been transferred to our Group. We currently indirectly own a 50% equity interest in Shiou Group, Shanghai Kaiyu, Shanghai Kaichang and Shanghai Kairi. See “—Certain Items in Consolidated Income Statements—Fair Value Gains on the Remeasurement of Joint Ventures” for details.
- (2) Beyond City was developed by Shiou Group, in which we held a 50% equity interest.
- (3) Our equity interest is 25% and the other two partners hold the remaining 25% and 50% of equity interest, respectively. According to the articles of this company, all three shareholders have equal voting rights and any material decision of the company shall be approved by all three shareholders. Therefore, we accounted for this company as a joint venture in 2013, 2014 and 2015. Shanghai Kaichong of the Huacao Group became our consolidated subsidiary since March 2016 after the controlling rights of the jointly controlled project have been transferred to our Group. We currently indirectly own a 25% equity interest in Shanghai Kaichong. See “—Certain Items in Consolidated Income Statements—Fair Value Gains on the Remeasurement of Joint Ventures” for details.
- (4) Zhangzhou City Wankebinjiang Property Co., Ltd. is an associated company of our Group.

Income Tax Expenses

Our income tax expenses comprises provisions made for EIT and LAT in the PRC. The provision for EIT for our PRC subsidiaries in 2013, 2014 and 2015 and the six months ended June 30, 2016 was based on the standard rate of 25%. Our effective tax rate, taking into consideration LAT and deferred tax, was 26.4%, 28.1%, 28.7%, 26.7% and 35.8%, for 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively. Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and

their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. Accordingly, we made a LAT provision of RMB174.9 million, RMB229.8 million, RMB663.0 million (US\$99.8 million), RMB121.5 million and RMB244.1 million (US\$36.7 million) in 2013, 2014 and the six months ended June 30, 2015 and 2016, respectively. The following table sets forth our income tax expenses for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	RMB'000	RMB'000	RMB'000	(US\$'000)	RMB'000	RMB'000	(US\$'000)
Current income tax							
—PRC corporate income tax	119,916	164,298	411,919	61,981	87,937	238,716	35,919
—PRC land appreciation tax	174,919	229,785	663,048	99,768	121,492	244,068	36,725
Deferred income tax	(51,053)	(62,121)	(16,870)	(2,538)	(28,022)	2,801	421
	<u>243,782</u>	<u>331,962</u>	<u>1,058,097</u>	<u>159,211</u>	<u>181,407</u>	<u>485,585</u>	<u>73,065</u>
Effective tax rate ⁽¹⁾	<u>26.4%</u>	<u>28.1%</u>	<u>28.7%</u>	<u>28.7%</u>	<u>26.7%</u>	<u>35.8%</u>	<u>35.8%</u>

Note:

- (1) Calculated as income tax expenses divided by profit before income tax (eliminating share of profits of investments accounted for using the equity method, net, fair value gains on the remeasurement of joint ventures and LAT).

SUMMARY CONSOLIDATED INCOME STATEMENTS DATA

The following table sets forth certain items derived from our consolidated statements of comprehensive income for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
Revenue	2,128,898	4,099,230	7,414,576	1,115,662	2,106,515	6,983,410	1,050,785
Cost of sales	(1,374,229)	(2,959,228)	(4,700,368)	(707,258)	(1,485,204)	(5,698,424)	(857,435)
Gross profit	754,669	1,140,002	2,714,208	408,403	621,311	1,284,986	193,350
Selling and marketing costs	(174,493)	(288,873)	(395,833)	(59,560)	(166,162)	(237,573)	(35,747)
Administrative expenses	(150,337)	(267,006)	(273,020)	(41,081)	(119,820)	(183,373)	(27,592)
Fair value gains on the remeasurement of joint ventures	—	—	—	—	—	278,074	41,841
Fair value gains on investment properties	—	—	—	—	—	9,000	1,354
Other income	3,396	3,729	7,320	1,101	4,716	4,750	715
Operating profit	433,235	587,852	2,052,675	308,863	340,045	1,155,864	173,921
Finance income/(costs)—net	2,071	5,025	(11,176)	(1,682)	5,674	41,274	6,210
Share of profits of investments accounted for using the equity method, net	324,204	240,724	422,539	63,579	116,772	305,241	45,929
Profit before income tax	759,510	833,601	2,464,038	370,760	462,491	1,502,379	226,060
Income tax expenses	(243,782)	(331,962)	(1,058,097)	(159,210)	(181,407)	(485,585)	(73,065)
Profit for the year/period	<u>515,728</u>	<u>501,639</u>	<u>1,405,941</u>	<u>211,550</u>	<u>281,084</u>	<u>1,016,794</u>	<u>152,995</u>
Profit for the year/period attributable to:							
Owners of the Company	517,691	506,507	1,432,813	215,593	288,806	858,164	129,126
Non-controlling interests	(1,963)	(4,868)	(26,872)	(4,043)	(7,722)	133,661	20,112
Holders of Perpetual Capital Instrument	—	—	—	—	—	24,969	3,757
	<u>515,728</u>	<u>501,639</u>	<u>1,405,941</u>	<u>211,550</u>	<u>281,084</u>	<u>1,016,794</u>	<u>152,995</u>

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Revenue

Our revenue increased by 231.5% from RMB2,106.5 million for the six months ended June 30, 2015 to RMB6,983.4 million (US\$1,050.8 million) for the six months ended June 30, 2016. This increase was primarily due to (i) an increase in the total GFA of properties delivered from 211,170 sq.m. for the six months ended June 30, 2015 to 474,870 sq.m. for the six months ended June 30, 2016, (ii) an increase in the recognized ASP of properties delivered from RMB9,820 per sq.m. for the six months ended June 30, 2015 to RMB14,457 per sq.m. for the six months ended June 30, 2016 and (iii) rental income of RMB25.5 million received from a shopping mall of Shiou Group since we consolidated the results of operations and financial position of Shiou Group into our Group's consolidated financial information in March 2016.

Cost of Sales

Our cost of sales increased by 283.7% from RMB1,485.2 million for the six months ended June 30, 2015 to RMB5,698.4 million (US\$857.4 million) for the six months ended June 30, 2016, primarily due to increases in the number of properties sold and the related selling costs during the six months ended June 30, 2016.

Gross Profit

As a result of the foregoing, our gross profit increased by 106.8% from RMB621.3 million for the six months ended June 30, 2015 to RMB1,285.0 million (US\$193.4 million) for the six months ended June 30, 2016. Our gross profit margin decreased from 29.5% for the six months ended June 30, 2015 to 18.4% for the six months ended June 30, 2016, primarily because we delivered proportionally more properties in the first half of 2016 which had a comparatively lower profitability as compared to those properties which we delivered in the first half of 2015.

Selling and Market Costs

Selling and marketing costs increased by 43.0% from RMB166.2 million for the six months ended June 30, 2015 to RMB237.6 million (US\$35.7 million) for the six months ended June 30, 2016, primarily due to increases in advertisement expenses and the number of our sales staff as a result of our increased sales activities.

Administrative Expenses

Administrative expenses increased by 53.0% from RMB119.8 million for the six months ended June 30, 2015 to RMB183.4 million (US\$27.6 million) for the six months ended June 30, 2016, primarily due to an increase in the number of our administrative staff as a result of an increase in the number of our new projects and projects under constructions, and an increase in donation from RMB0.9 million for the six months ended June 30, 2015 to RMB16.3 million for the six months ended June 30, 2016.

Fair Value Gains on the Remeasurement of Joint Ventures

We recognized fair value gains on the remeasurement of joint ventures of RMB278.1 million (US\$41.8 million) as a result of the consolidation of the financial results of Shiou Group and Huacao Group into ours since March 2016.

Fair Value Gains on Investment Properties

We recognized fair value gains on investment properties of RMB9.0 million (US\$1.4 million) as a result of the consolidation of the financial results of Shiou Group into ours during the six months ended June 30, 2016.

Other Income

Other income remained relatively stable at RMB4.7 million and RMB4.8 million (US\$0.7 million) for the six months ended June 30, 2015 and 2016, respectively.

Finance Income—net

Finance income increased by 627.4% from RMB5.7 million for the six months ended June 30, 2015 to RMB41.3 million (US\$6.2 million) for the six months ended June 30, 2016, primarily due to increases in interest income received from our bank deposits and net gains from foreign exchange from our temporary cash investment.

Share of Profits of Investments Accounted for Using the Equity Method, net

Share of profits of investment accounted for using the equity method, net increased by 161.4% from RMB116.8 million for the six months ended June 30, 2015 to RMB305.2 million (US\$45.9 million) for the six months ended June 30, 2016, primarily due to the revenue recognized from sales and delivery of properties of our joint ventures, Shanghai Kaitai and Liboshuntai Property, during the six months ended June 30, 2016.

Profit Before Income Tax

As a result of the foregoing factors, profit before income tax increased by 224.8% from RMB462.5 million for the six months ended June 30, 2015 to RMB1,502.4 million (US\$226.1 million) for the six months ended June 30, 2016.

Income Tax Expenses

Income tax expenses increased by 167.7% from RMB181.4 million for the six months ended June 30, 2015 to RMB485.6 million (US\$73.1 million) for the six months ended June 30, 2016. Specifically, EIT net of deferred income tax increased by 303.1% from RMB59.9 million for the six months ended June 30, 2015 to RMB241.5 million (US\$36.3 million) for the six months ended June 30, 2016, and LAT increased from RMB121.5 million for the six months ended June 30, 2015 to RMB244.1 million (US\$36.7 million) for the six months ended June 30, 2016. Our effective income tax rate for the six months ended June 30, 2016 was 35.8%, compared to 26.7% for the six months ended June 30, 2015.

Profit for the Period

As a result of the foregoing factors, profit for the six months ended June 30, 2016 increased by 261.7% to RMB1,016.8 million (US\$153.0 million) from RMB281.1 million for the six months ended June 30, 2015.

Profit Attributable to Owners of the Company

As a result of the foregoing factors, profit attributable to owners of our Company increased by 197.2% from RMB288.8 million for the six months ended June 30, 2015 to RMB858.2 million (US\$129.1 million) for the six months ended June 30, 2016.

(Loss)/Profit Attributable to Non-controlling Interests

The loss attributable to non-controlling interests was RMB7.7 million for the six months ended June 30, 2015, compared to profit attributable to non-controlling interests of RMB133.7 million (US\$20.1 million) for the six months ended June 30, 2016. The change was primarily attributable to the revenue recognized from sales of properties in projects jointly developed with non-controlling parties, including Pingtan David City, White House, Imperial Villa and Show Kingdom.

Profit Attributable to Holders of Perpetual Capital Instruments

During the six months ended June 30, 2016, our subsidiaries entered into three Perpetual Capital Instruments with a securities company, an asset management company and a trust company, respectively, pursuant to the respective fund agreement, of an aggregated amount of RMB1,700 million. Profit attributable to such holders of Perpetual Capital Instruments amounted to RMB25.0 million (US\$3.8 million) for the six months ended June 30, 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Our revenue increased by 80.9% from RMB4,099.2 million in 2014 to RMB7,414.6 million (US\$1,115.7 million) in 2015. This increase was primarily due to an increase in the total GFA of properties delivered by approximately 144.4% from 241,304 sq.m. in 2014 to 589,700 sq.m. in 2015 based on the development and delivery schedule of our property projects, including White House, Ocean City and Lan Garden. The recognized ASP of properties decreased from RMB16,561 per sq.m. in 2014 to RMB12,424 per sq.m. in 2015, which was primarily due to the proportionally greater deliveries of properties from Lan Garden, which is located in Zhangzhou where property prices were generally lower as compared to other locations.

Cost of Sales

Our cost of sales increased by 58.8% from RMB2,959.2 million in 2014 to RMB4,700.4 million (US\$707.3 million) in 2015, primarily due to an increase in the number of properties sold in 2015.

Gross Profit

As a result of the foregoing, our gross profit increased by 138.1% from RMB1,140.0 million in 2014 to RMB2,714.2 million (US\$408.4 million) in 2015. Our gross profit margin increased from 27.8% in 2014 to 36.6% in 2015 as a result of an increase in properties we delivered and sold, which had a comparatively higher profitability with a lower land cost as compared to those properties which we delivered in 2014.

Selling and Market Costs

Selling and marketing costs increased by 37.0% from RMB288.9 million in 2014 to RMB395.8 million (US\$59.6 million) in 2015, primarily due to increases in marketing and advertising expenses and the number of our sales staff as a result of our increased sales activities.

Administrative Expenses

Administrative expenses increased by 2.3% from RMB267.0 million in 2014 to RMB273.0 million (US\$41.1 million) in 2015, primarily due to an increase in the number of our administrative staff as a result of our business expansion and an increase in the number of our new projects and projects under constructions.

Other Income

Other income increased by 96.3% from RMB3.7 million in 2014 to RMB7.3 million (US\$1.1 million) in 2015, primarily due to increased forfeited deposits from prospective purchasers.

Finance Income/(Cost)—net

Finance income was RMB5.0 million in 2014, as compared to finance cost of RMB11.2 million (US\$1.7 million) in 2015. The change was primarily due to finance costs incurred on disposal of amounts due from joint ventures and an associate of RMB74.9 million (US\$11.3 million), partially offset by gains from foreign exchange of RMB52.7 million (US\$7.9 million) and increases in interest income received from our bank deposits of RMB11.0 million (US\$1.7 million).

Share of Profits of Investments Accounted for Using the Equity Method, net

Share of profits of investment accounted for using the equity method, net increased by 75.5% from RMB240.7 million in 2014 to RMB422.5 million (US\$63.6 million) in 2015, primarily due to the revenue recognized from the share of profits upon the completion of property projects developed by our joint ventures in 2015.

Profit Before Income Tax

As a result of the foregoing factors, profit before income tax increased by 195.6% from RMB833.6 million in 2014 to RMB2,464.0 million (US\$370.8 million) in 2015.

Income Tax Expenses

Income tax expenses increased by 218.7% from RMB332.0 million in 2014 to RMB1,058.1 million (US\$159.2 million) in 2015. Specifically, EIT net of deferred income tax increased by 286.6% from RMB102.2 million in 2014 to RMB395.0 million (US\$59.4 million) in 2015, and LAT increased by 188.6% from RMB229.8 million in 2014 to RMB663.0 million (US\$99.8 million) in 2015. Our effective income tax rate in 2015 was 28.7%, compared to 28.1% in 2014.

Profit for the Year

As a result of the foregoing factors, profit in 2015 increased by 180.3% to RMB1,405.9 million (US\$211.6 million) from RMB501.6 million in 2014.

Profit Attributable to Owners of the Company

As a result of the foregoing factors, profit attributable to owners of our Company increased by 182.9% from RMB506.5 million in 2014 to RMB1,432.8 million (US\$215.6 million) in 2015.

Loss Attributable to Non-controlling Interests

Loss attributable to non-controlling interests increased from RMB4.9 million in 2014 to RMB26.9 million (US\$4.0 million) in 2015.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Our revenue increased by 92.6% from RMB2,128.9 million in 2013 to RMB4,099.2 million in 2014. This increase was primarily due to an increase in GFA delivered in sales of properties by approximately 47.2% from 163,879 sq.m. in 2013 to 241,304 sq.m. and an increase in recognized ASP from sales of properties from RMB12,664 per sq.m. in 2013 to RMB16,561 per sq.m. in 2014. The increase in our GFA delivered was primarily due to the development and delivery schedule of our Lan County project. We experienced an increase in recognized ASP primarily because a majority of the properties delivered in 2014 were from our Lan County project, which had comparatively higher ASPs than the David City project, which contributed to our revenue from sales of properties in 2013.

Cost of Sales

Our cost of sales increased by 115.3% from RMB1,374.2 million in 2013 to RMB2,959.2 million in 2014. We experienced this increase in our cost of sales primarily because the land acquisition costs for our Lan County project were comparatively higher.

Gross Profit

As a result of the foregoing, our gross profit increased by 51.1% from RMB754.7 million in 2013 to RMB1,140.0 million in 2014. Our gross profit margin decreased to 27.8% in 2014 from 35.4% in 2013, primarily because of the relatively higher land acquisition costs of our Lan County project.

Selling and Marketing Costs

Selling and marketing costs increased by 65.5% from RMB174.5 million in 2013 to RMB288.9 million in 2014, primarily due to our increased sales activities, as we had 15 projects on sale in 2014 as compared to 11 projects in 2013. We experienced an increase in both the headcount of our sales staff and their average compensation.

Administrative Expenses

Administrative expenses increased by 77.6% from RMB150.3 million in 2013 to RMB267.0 million in 2014, primarily due to our continued expansion into new markets in Shanghai and Hangzhou, which increased our administrative headcount and office-related expenses.

Other Income

Other income increased by 9.8% from RMB3.4 million in 2013 to RMB3.7 million in 2014.

Finance Income—net

Finance income increased by 142.6% from RMB2.1 million in 2013 to RMB5.0 million in 2014. Our finance income in 2014 primarily includes interest income from our increased bank deposits as a result of an increase in restricted cash in relation to our financing activities.

Share of Profits of Investments Accounted for Using the Equity Method, net

Share of profits of investments accounted for using the equity method, net decreased by 25.7% from RMB324.2 million in 2013 to RMB240.7 million in 2014, primarily due to decreased profits of our main joint venture, Shiou Group, in 2014 as compared to 2013. Such decrease was primarily due to decreased GFA delivered in Riverside City project which was partially offset by profits from the Lan Hill project which commenced deliveries in 2014.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax increased by 9.8% from RMB759.5 million in 2013 to RMB833.6 million in 2014.

Income Tax Expenses

Income tax expenses increased by 36.2% from RMB243.8 million in 2013 to RMB332.0 million in 2014. Specifically, EIT net of deferred income tax increased by 48.4% to RMB102.2 million in 2014 from RMB68.9 million in 2013, while LAT increased by 31.4% from RMB174.9 million in 2013 to RMB229.8 million in 2014. Our effective income tax rate in 2014 was 28.1%, compared to 26.4% in 2013.

Profit for the Year

As a result of the foregoing factors, profit in 2014 decreased by 2.7% to RMB501.6 million from RMB515.7 million in 2013.

Profit Attributable to Owners of the Company

As a result of foregoing factors, profit attributable to owners of our Company decreased by 2.2% from RMB517.7 million in 2013 to RMB506.5 million in 2014.

Loss Attributable to Non-controlling Interests

Loss attributable to non-controlling interests increased to RMB4.9 million in 2014 from RMB2.0 million in 2013.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
Net cash (used in)/generated from							
operating activities	(3,704,283)	(6,343,547)	3,607,097	542,755	160,316	292,275	43,978
Net cash (used in)/generated from							
investing activities	(2,797,041)	(1,031,568)	990,614	149,056	268,633	(2,185,975)	(328,921)
Net cash generated from/(used in)							
financing activities	7,073,475	7,336,662	(2,513,687)	(378,231)	(242,820)	11,435,410	1,720,671
Net increase/(decrease) in cash and							
cash equivalents	572,151	(38,453)	2,084,024	313,580	186,129	9,541,710	1,435,729
Cash and cash equivalents at							
beginning of the year/period	123,939	696,090	657,637	98,954	657,637	2,742,466	412,655
Cash and cash equivalents at end of							
the year/period	696,090	657,637	2,742,466	412,655	843,766	12,298,983	1,850,612

Net Cash (Used in)/Generated from Operating Activities

Our cash used in operations principally comprises payments for land acquisitions and our property development activities. Our cash generated from operations is principally from proceeds received from pre-sales and sales of our properties.

For the six months ended June 30, 2016, our net cash generated from operating activities was RMB292.3 million (US\$44.0 million), attributable to cash generated from operations of RMB813.0 million (US\$122.3 million), LAT paid of RMB294.8 million (US\$44.4 million) and EIT paid of RMB225.9 million (US\$34.0 million). Our cash generated from operations prior to changes in working capital was RMB863.7 million (US\$130.0 million). Changes in working capital contributed to a net cash outflow of RMB50.7 million (US\$7.6 million), comprising primarily (i) an increase in prepayments of RMB5,119.2 million (US\$770.3 million) and (ii) an increase in trade and other receivables of RMB29.1 million (US\$4.4 million), partially offset by (i) an increase in advances from customers of RMB3,093.3 million (US\$465.5 million), (ii) an increase in properties under development and completed properties held for sale of RMB1,915.2 million (US\$288.2 million) and (iii) an increase in trade and other payables of RMB89.0 million (US\$13.4 million).

In 2015, our net cash generated from operating activities was RMB3,607.1 million (US\$542.8 million), attributable to cash generated from operations of RMB4,091.5 million (US\$615.6 million), LAT paid of RMB400.1 million (US\$60.2 million) and EIT paid of RMB84.3 million (US\$12.7 million). Our cash generated from operations prior to changes in working capital was RMB2,067.2 million (US\$311.0 million). Changes in working capital contributed to a net cash inflow of RMB2,024.3 million (US\$304.6 million), comprising primarily (i) an increase in prepayments of RMB5,904.0 million (US\$888.4 million) and (ii) an increase in pre-

sales proceeds received from customers of RMB1,983.1 million (US\$298.4 million), partially offset by an increase in properties under development and completed properties held for sale of RMB6,045.2 million (US\$909.6 million).

In 2014, our net cash used in operating activities was RMB6,343.5 million, attributable to cash used in operations of RMB5,885.6 million, LAT paid of RMB311.8 million and EIT paid of RMB146.2 million. Our cash generated from operations prior to changes in working capital was RMB600.9 million. Changes in working capital contributed to a net cash outflow of RMB6,486.5 million, comprising primarily an increase in properties under development and completed properties held for sale of RMB8,045.5 million, partially offset by (i) an increase in pre-sale proceeds received from customers of RMB1,298.1 million and (ii) a decrease in trade and other receivables of RMB321.1 million.

In 2013, our net cash used in operating activities was RMB3,704.3 million, attributable to cash used in operations of RMB3,502.2 million, LAT paid of RMB117.3 million and EIT paid of RMB84.9 million. Our cash generated from operations prior to changes in working capital was RMB441.9 million. Changes in working capital contributed to a net cash outflow of RMB3,944.0 million, comprising primarily (i) an increase in properties under development and completed properties held for sale of RMB6,540.6 million; and (ii) an increase in trade and other receivables of RMB191.8 million, partially offset by increase of pre-sale proceeds received from customers of RMB2,840.1 million.

Net Cash (Used in)/Generated from Investing Activities

Our cash used in investing activities primarily reflects capital injection in joint ventures, cash advances to related parties and payments for purchase of property and equipment (referring to construction in progress related to our investment properties) and payments for purchase of land use rights of properties for own use (referring to land use rights related to our investment properties). Our cash generated from investing activities primarily reflects repayments from related parties.

For the six months ended June 30, 2016, our net cash used in investing activities was RMB2,186.0 million (US\$328.9 million), which primarily represented (i) acquisition and consolidation of subsidiaries, net of cash acquired, of RMB1,467.8 million (US\$220.8 million), (ii) capital injection to joint ventures of RMB1,401.7 million (US\$210.9 million), (iii) cash advances to related parties of RMB304.0 million (US\$45.7 million) and (iv) payments for acquisition of available-for-sale financial assets of RMB198.0 million (US\$29.8 million), partially offset by (i) a decrease in terms deposits with initial terms of over three months of RMB1,021.8 million (US\$153.7 million) and (ii) proceeds from disposal of available-for-sale financial assets of RMB239.0 million (US\$36.0 million).

In 2015, our net cash generated from investing activities was RMB990.6 million (US\$149.1 million), which primarily represented (i) net proceeds from disposal of amounts due from joint ventures and an associate of RMB1,797.0 million (US\$270.4 million) and (ii) repayments from related parties of RMB841.2 million (US\$126.6 million), partially offset by (i) an increase in terms deposits with initial terms of over three months of RMB969.9 million (US\$145.9 million), (ii) payments for purchase of property and equipment of RMB380.9 million (US\$57.3 million) and (iii) capital injection to joint ventures of RMB243.5 million (US\$36.6 million).

In 2014, our net cash used in investing activities was RMB1,031.6 million, which primarily represented (i) capital injection to joint ventures of RMB1,407.5 million, (ii) cash advances to related parties of RMB717.6 million and (iii) payments for purchase of property and equipment of RMB290.8 million, partially offset by repayments from related parties of RMB1,485.0 million.

In 2013, our net cash used in investing activities was RMB2,797.0 million, which primarily represented (i) cash advances to related parties of RMB3,204.4 million, (ii) payments for purchase of land use rights for own

use of RMB190.7 million and (iii) prepayment for investment in a joint venture of RMB156.2 million, partially offset by repayments from related parties of RMB830.8 million.

Net Cash Generated from/(Used in) Financing Activities

Our cash generated from financing activities are mainly from proceeds from other borrowings and cash advances from related parties. Our cash used in financing activities mainly reflects interest paid, repayment of borrowings and repayments to related parties.

For the six months ended June 30, 2016, our net cash generated from financing activities was RMB11,435.4 million (US\$1,720.7 million), which was primarily attributable to (i) proceeds from borrowings of RMB19,799.4 million (US\$2,979.2 million), (ii) cash advances from related parties of RMB2,775.5 million (US\$417.6 million), (iii) capital injection from non-controlling interests of RMB2,069.0 million (US\$311.3 million), (iv) issuance of perpetual capital instruments of RMB1,700.0 million (US\$255.8 million) and (v) issuance of shares in connection with the initial public offering of RMB1,540.7 million (US\$231.8 million), partially offset by (i) repayment of borrowings of RMB14,800.9 million (US\$2,227.1 million), (ii) interest paid of RMB1,005.8 million (US\$151.3 million) and (iii) restricted cash pledged for borrowings of RMB451.9 million (US\$68.0 million).

In 2015, our net cash used in financing activities was RMB2,513.7 million (US\$378.2 million), which was primarily attributable to (i) repayment of borrowings of RMB15,188.4 million (US\$2,285.4 million), (ii) repayments to related parties of RMB2,474.5 million (US\$372.3 million), (iii) interest paid of RMB2,026.3 million (US\$304.9 million) and (iv) dividends paid to the then shareholders of RMB338.0 million (US\$50.9 million), partially offset by (i) proceeds from borrowings of RMB14,302.2 million (US\$2,152.0 million), (ii) capital injection from non-controlling interests of RMB1,648.0 million (US\$248.0 million), (iii) capital injection from the then shareholders of our Group of RMB989.7 million (US\$148.9 million) and (iv) release of restricted cash of RMB580.7 million (US\$87.4 million).

In 2014, our net cash generated from financing activities was RMB7,336.7 million, which was primarily attributable to (i) proceeds from borrowings of RMB14,075.0 million and (ii) cash advances from related parties of RMB811.2 million, partially offset by (i) repayment of borrowings of RMB5,288.3 million and (ii) interest paid of RMB1,506.1 million.

In 2013, our net cash generated from financing activities was RMB7,073.5 million, which was primarily attributable to (i) proceeds from borrowings of RMB7,759.0 million and (ii) cash advances from related parties of RMB1,448.1 million, partially offset by (i) repayment of borrowings of RMB1,148.0 million, (ii) repayments to related parties of RMB434.7 million and (iii) interest paid of RMB567.0 million.

Indebtedness

The following table sets forth the composition of our borrowings as of the date indicated:

	As of December 31,			As of
	2013	2014	2015	June 30,
	(RMB'000)	(RMB'000)	(RMB'000)	2016
				(RMB'000)
				(unaudited)
Non-current:				
Bank borrowings—secured	1,473,000	1,945,000	1,622,000	4,621,352
Trust and other borrowings—secured	6,197,000	14,933,700	10,779,100	10,068,510
Public corporate bonds—unsecured	—	—	1,171,463	2,522,050
Private corporate bonds—unsecured	—	—	—	5,657,220
Less:				
Current portion of non-current borrowings	(2,684,300)	(5,879,100)	(6,646,500)	(4,907,400)
Total non-current loans and borrowings	4,985,700	10,999,600	6,926,063	17,961,732
Current:				
Bank borrowings—secured	200,000	29,100	—	—
Current portion of non-current borrowings	2,684,300	5,879,100	6,646,500	4,907,400
Trust and other borrowings—secured	602,040	351,000	2,800,000	2,866,000
Total current borrowings	3,486,340	6,259,200	9,446,500	7,773,400
Total borrowings	8,472,040	17,258,800	16,372,563	25,735,132

Bank and Other Borrowings

Our total outstanding bank borrowings amounted to RMB1,673.0 million, RMB1,974.1 million, RMB1,622.0 million (US\$244.1 million) and RMB4,621.4 million (US\$695.4 million) as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. Our total outstanding borrowings from other financial institutions, including local trust institutions, security companies and asset management companies, amounted to RMB6,799.0 million, RMB15,284.7 million, RMB13,579.1 million (US\$2,043.2 million) and RMB12,934.5 million (US\$1,946.2 million) as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. The increase in our bank borrowings and other borrowings in 2013, 2014 and 2015 and the six months ended June 30, 2016 was primarily due to the substantial expansion of our business operations, which in turn increased our financing requirements.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, all of our bank and other borrowings were secured by our Group's asset portfolio which includes properties held for sale, properties under development, land use rights, equity interests of certain subsidiaries, bank deposits and pre-sale proceeds receivable from customers. In addition to pledged asset portfolio, Mr. Ou Zonghong, our chairman and controlling shareholder, also provided personal guarantee for the bank and other borrowings of RMB5,063.0 million, RMB11,253.3 million, RMB7,912.0 million (US\$1,190.5 million) and RMB726.0 million (US\$109.2 million) as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively.

Certain of our banking facilities contain a number of customary affirmative and/or negative covenants. For example, certain of our subsidiaries are prohibited from merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration of dividends and incurring further indebtedness without the prior consent of the relevant banks. Certain of our banking facilities also contain cross default provisions. However, we do not expect that such covenants would materially restrict our Group's overall ability to undertake additional debt or equity financing necessary to carry out our current business plans.

The following table sets forth the repayment terms of our borrowings:

	As of December 31,			As of
	2013	2014	2015	June 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	3,486,340	6,259,200	9,446,500	7,773,400
After one year but within two years	1,945,700	7,052,100	4,654,600	8,644,172
After two years but within five years	3,040,000	3,947,500	2,271,463	8,318,060
Over five years	—	—	—	999,500
Total	<u>8,472,040</u>	<u>17,258,800</u>	<u>16,372,563</u>	<u>25,735,132</u>

The following table shows the weighted-average interest rates for our borrowings for the periods indicated:

	For the year ended December 31,			For the six months ended
	2013	2014	2015	June 30, 2016
Bank borrowings	8.35%	7.48%	6.89%	5.95%
Trust and other borrowings	11.07%	11.31%	11.28%	8.54%
Public corporate bond	—	—	6.41%	7.27%
Private corporate bond	—	—	—	8.49%
Total borrowings	10.53%	10.88%	10.50%	7.94%

Subsequent to June 30, 2016, we have, from time to time, in the ordinary course of business, entered into additional bank borrowings to finance our property developments or for general corporate purposes. See “Description of Other Material Indebtedness.”

Trust and Other Borrowings

In 2013, 2014 and 2015 and the six months ended June 30, 2016, we obtained borrowings from non-bank financial institutions, including trust companies, to fund some of our property development projects and other financing needs. Compared with traditional bank borrowings, trust and other borrowings typically offer us greater flexibility in terms of availability, drawdown schedule and repayment arrangements. Compared to the terms of traditional bank loans, terms of trust and other borrowings are generally more flexible and available in various structures to meet the different characteristics of our projects, such as the capital structure, risk-return profile and funding requirements.

We use trust and other borrowings as a supplement to bank borrowings primarily to finance our property development projects. As of December 31, 2013, 2014, 2015 and June 30, 2016, the total amount of trust financing outstanding accounted for 80.3%, 88.6%, 82.9% and 50.3% of our total borrowings, respectively. Subsequent to June 30, 2016, we have, from time to time, in the ordinary course of business, entered into additional trust and other borrowings to finance our property developments purposes. See “Description of Other Material Indebtedness.”

The terms and covenants of our trust and other borrowings vary, largely depending on whether our equity interests in the borrowing project companies are (i) pledged or (ii) transferred to the financial institutions as security.

Types of our trust and other borrowings

Our trust and other borrowings are broadly categorized into:

- Type (i) arrangements which have terms similar to bank borrowings and do not involve either a pledge or a transfer of the equity interest held by us in the relevant project subsidiary, or

- Type (ii) arrangements which involve a pledge of the equity interest held by us in the relevant project subsidiary, or
- Type (iii) arrangements which involve a transfer of equity interest and a pledge of the remaining equity interest held by us in the relevant project subsidiary.

These borrowings also generally involve other security and/or guarantees:

- corporate and/or shareholders' guarantees;
- pledge of land use rights of the relevant property project; and/or
- other security in the form of an assignment of rental income, sales revenue and other income generated from the relevant project company or an assignment of shareholders' loan.

We generally apply the funds obtained from the trust and other borrowings to the project undertaken by the relevant borrowing subsidiary unless the lending financial institution otherwise agrees. At maturity, and upon satisfaction of the terms for the repayment of the borrowings, the pledge of equity interest in the relevant project subsidiary will be released, any equity interest in the relevant project subsidiary transferred to the lender will be repurchased by us and the other forms of security or guarantee will be released, as applicable.

Key terms of type (i) arrangements

In type (i) arrangements, where our equity interests are neither pledged nor transferred, the lenders typically require such financings to be secured by our properties under development, completed properties held for sale or land use rights or guaranteed personally by Mr. Ou Zonghong. They may also contain terms that prohibit our borrowing subsidiaries from entering into transactions such as merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business or declaration of dividends or incurring further indebtedness without prior consent.

Key terms of type (ii) arrangements

In type (ii) arrangements, where our equity interests in the borrowing project companies are pledged to the lenders, the lenders do not have the right to participate in the project companies' board or shareholders' meetings or have veto rights in any form. Since under the terms of this type of borrowing arrangements the lenders typically can only exercise ordinary creditors' rights and do not have veto rights relating to operational matters in the ordinary course of business of the project companies, we believe that such arrangements will not affect our control over the borrowing project companies. The pledged interests will be released upon repayment of the principal of, and any other amount due under, such trust and other borrowings.

Key terms of type (iii) arrangements

In type (iii) arrangements, where our equity interests in the borrowing project companies are transferred to the lenders, the legal terms are more complex. A summary of key terms is set forth below.

Board representation

Through equity participation in the relevant project companies, the lenders are entitled to appoint a certain number of directors to the relevant boards. Typically, at least a two-third majority is required for certain important matters, such as material disposal of assets, external borrowings exceeding a specific threshold, key construction planning changes and budgeting. In all of our type (iii) arrangements, we retain a majority on the boards of directors of the relevant project companies. As of the date of the offering memorandum, we had not experienced any disagreement with our trust company or other financial institution lenders in this type of arrangements and the board representatives appointed by such lenders had not cast any dissenting vote.

Security

As security for the performance of our project companies, we have in some cases provided guarantees, share pledges and/or fixed asset liens to the lenders.

Fixed income return

Our PRC legal advisors have advised us that under the terms of the type (iii) agreements we have entered into, the lenders do not in any circumstance enjoy any investment return other than a pre-determined fixed income return. We remain fully accountable for the profits and losses of our project companies. The lenders do not bear any risks or enjoy any benefits other than the fixed income return that was pre-determined through arm's length negotiation. We believe that the rates of fixed income return provided to the trust companies or other financial institutions under our type (iii) arrangements are within the range of market rates.

Management of the project companies

During the term of the type (iii) arrangements, we retain the right in respect of the day-to-day operation and management of our project companies and their businesses. In 2013, 2014 and 2015 and the six months ended June 30, 2016, none of the lenders in this type of arrangements actively participated or intervened in the day-to-day operations and management of any of our project companies.

Veto right

The circumstances in which the lenders can exercise veto rights typically include the following:

- Amendments to articles of association;
- Changes to registered capital or shareholding;
- Declarations of dividends or other distributions;
- Provisions of guarantees or asset pledges supporting related-party or third-party debt;
- Acquisition of equity interests or making equity investments in other companies;
- Disposition of assets over a certain threshold not in the ordinary course of business;
- Key construction planning changes and budgeting;
- Incurrence of indebtedness from external financing;
- Appointment of key members of management; and
- Entering into material transactions over certain thresholds or that may undermine the company's ability to perform its obligations under the borrowing.

Such veto rights are consistent with customary protection given to creditors under secured borrowing transactions. In 2013, 2014 and 2015, the six months ended June 30, 2016 and up to the date of the offering memorandum, none of the board representatives of the relevant trust company or other financial institution lenders had exercised its veto rights or unilateral revocation rights. As of the date of this offering memorandum, we maintain control over the borrowing subsidiaries despite such veto rights. The funds injected in our Group under type (iii) financing arrangements are treated as borrowings of our Group.

The following table sets forth the aggregate principal balances of our trust and other borrowings by type as of the dates indicated:

<u>Trust and other borrowings</u>	<u>As of December 31,</u>			<u>As of</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>June 30,</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)
Type (i)	4,022,040	5,661,000	4,700,000	4,421,010
Type (ii)	356,100	1,200,400	5,749,000	8,513,500
Type (iii)	2,420,900	8,423,300	3,130,100	—
	<u>6,799,040</u>	<u>15,284,700</u>	<u>13,579,100</u>	<u>12,934,510</u>

Corporate Bonds

We also generate cash from proceeds from the issuance of the Public Corporate Bonds and the Private Corporate Bonds. See “Description of Other Material Indebtedness” for details.

Other Financing Agreements

We have also entered into other financing arrangements to diversify our financing resources. During the first half of 2016, three of our PRC subsidiaries each issued a perpetual capital instrument in an aggregate amount of RMB3.2 billion (US\$0.5 billion). As of June 30, 2016, an aggregate principal amount of RMB1.7 billion (US\$0.2 billion) of the perpetual capital instrument was outstanding. In July 2016, Rongxin Fujian issued asset-backed securities in the principal amount of RMB880.0 billion (US\$) with a tenor of three years and at a coupon rate of 4.8% to 5.4% per annum in the PRC. For details, see “Description of Other Material Indebtedness.”

CAPITAL EXPENDITURES AND COMMITMENTS

We incurred capital expenditure (including land premiums and costs of construction) of RMB7,843.2 million, RMB11,916.1 million, RMB3,421.1 million (US\$514.8 million) and RMB8,065.9 million (US\$1,213.7 million) in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had the following commitments that are contracted but not provided in respect of property development expenditures:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>June 30,</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)
Contracted but not provided for:				
—Property development activities	3,153,489	4,534,954	4,038,906	6,039,383
—Land use rights	<u>3,202,042</u>	<u>4,734,311</u>	<u>3,310,000</u>	<u>10,991,050</u>
	<u>6,355,531</u>	<u>9,269,265</u>	<u>7,348,906</u>	<u>17,030,433</u>

As of December 31, 2013, 2014 and 2015 and June 30, 2016, our total future minimum lease commitments under non-cancellable operating leases were payable as follow:

	As of December 31,			As of
	2013	2014	2015	June 30,
	(RMB'000)	(RMB'000)	(RMB'000)	2016
				(RMB'000)
				(unaudited)
Not later than one year	13,662	17,291	17,948	8,359
Later than one year and not later than three years	21,804	11,998	9,457	6,984
	<u>35,466</u>	<u>29,289</u>	<u>27,405</u>	<u>15,343</u>

CONTINGENT LIABILITIES

Our contingent liabilities comprise guarantees we provide to PRC banks in respect of the mortgage loans provided by the banks to purchasers of our properties and guarantees we provide to related parties and a third party in respect of borrowings. The purchaser mortgage guarantees are typically released when the title deeds of the respective properties are pledged to the banks as security to continue to support the mortgage loans, which generally takes place after the properties are delivered to the purchasers. The borrowing guarantees represent the maximum exposure of the guarantees provided for the borrowings of related parties and an independent third party at the respective balance sheet dates. As of June 30, 2016, the outstanding guarantee amounts provided by us amounted to RMB13,293.1 million (US\$2,000.2 million).

Our Directors believe that, in case of a default by our purchasers on their mortgage payments, the net realizable value of the relevant properties will be sufficient to repay the outstanding mortgage loans, together with any accrued interest and penalty. Therefore, we did not make provision in connection with the guarantees.

We also provide various quality warranties to buyers of our properties, of terms between one to five years, in accordance with the relevant PRC laws and regulations. Such warranties are covered by back-to-back warranties provided to us by the respective construction contractors. In addition, we have, from time to time, also been party to lawsuits and other legal proceedings in the normal course of business.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities described above, we did not provide any financial guarantees or other commitments to guarantee the payment obligations of any third parties as of the date of the offering memorandum Practicable Date. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity or market risk or credit support to us or engages in leasing, hedging or research and development services with us.

MARKET RISK

We are exposed to various types of market risks, including changes in prices of our raw materials, interest rate risks, foreign exchange risks, credit 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 interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed rates expose us to fair value interest rate risk. We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently do not use any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

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, 2013, 2014 and 2015 and June 30, 2016 were 6.00%, 5.60%, 4.35% and 4.35%, respectively.

Foreign Exchange Risk

We conduct our sales and purchases in Renminbi. We recognize foreign exchange gain or loss on our statement of comprehensive income due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. As of June 30, 2016, our non-Renminbi assets and liabilities are mainly cash and cash equivalents denominated in U.S. dollars or H.K. dollars. We did not enter into forward exchange contracts to hedge our exposure to foreign exchange risk.

Credit Risk

We do not have concentrations on credit risk and our cash transactions are limited to high credit quality institutions. Our maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash and trade and other receivables shown in the consolidated balance sheets. As of December 31, 2013, 2014 and 2015 and June 30, 2016, substantially all our bank deposits were placed with major financial institutions in the PRC, which we believe are of high credit quality without significant credit risk. For the trade receivables arising from sales of properties, we manage the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loan financing procedures before delivery of properties unless strong credit records of the purchasers could be established. We closely monitor the collection of progress payments from the purchasers in accordance with payment schedule agreed with customers and have policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate amount of down-payments. Meanwhile, we have the right to cancel the contracts if the purchasers are in default of payment obligations. We also have monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. We have no significant concentrations of credit risk, with exposure spread over a number of counter-parties and customers. We have provided guarantees to secure obligations of purchasers of our properties under their mortgage loans. See the section headed "—Contingent Liabilities" in this offering memorandum for detailed disclosure of such guarantees. No significant credit limits were exceeded in 2013, 2014 and 2015 and the six months ended June 30, 2016, and our Directors do not expect any significant losses from non-performance by these counter-parties. For other receivables, we assess the credit quality of the counter parties by taking into account their financial position, credit history and other factors. We also regularly review the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The Directors are of the opinion that the risk of default by the counter-parties is low.

Inflation

According to the China Statistical Bureau, China's overall national rate, as represented by the general consumer price index, was approximately 2.6%, 2.0%, 1.4% and 2.1% in 2013, 2014 and 2015 and the first half

of 2016, 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 and EBITDA margin to provide additional information about our operating performance. EBITDA refers to our profit before income tax plus finance income/(costs)—net, depreciation of property, plant and equipment and amortization of intangible assets. EBITDA margin is calculated by dividing EBITDA by revenue.

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

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

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

	For the year ended December 31,			For the six months ended June 30,	
	2013	2014	2015	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Profit before income tax	759,510	833,601	2,464,038	462,491	1,502,379
Adjustments:					
Finance income/(costs)—net	(2,071)	(5,025)	11,176	(5,674)	(41,274)
Depreciation of property, plant and equipment	8,365	12,756	14,097	7,438	6,334
Amortization of intangible assets	343	952	1,035	530	637
EBITDA	<u>766,147</u>	<u>842,284</u>	<u>2,490,346</u>	<u>464,785</u>	<u>1,480,076</u>

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

INDUSTRY OVERVIEW

The information in the section below has been derived, in part, from 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 complied within or outside the PRC.

OVERVIEW OF THE PRC ECONOMY

China has experienced significant economic growth since the adoption of the reform and opening-up policy by the PRC government in 1978. China's nominal GDP grew at a CAGR of 10.7% from 2010 to 2015, reaching approximately RMB68.6 billion in 2015 and making China one of the fastest-growing economies in the world.

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

	2010	2011	2012	2013	2014	2015	CAGR
Nominal GDP (in millions)	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,550.6	10.7%
Population (in millions)	1,340.9	1,343.4	1,354.0	1,360.7	1,367.8	1,373.5	0.5%
Fixed asset investment (RMB in billions)	25,168.4	31,148.5	37,469.5	44,629.4	51,202.1	56,200.0	17.4%
Per capita GDP (RMB)	30,876.0	36,403.0	40,007.0	43,852.0	47,203.0	49,992.0	10.1%
Real GDP growth rate (%)	10.6	9.5	7.9	7.8	7.3	6.9	N/A

Source: National Bureau of Statistics of China ("NBSC")

OVERVIEW OF THE REAL ESTATE MARKET OF THE PRC

Key Growth Drivers of the Real Estate Market in the PRC

In addition to the overall growth of the PRC economy, the key factors driving the growth of the real estate market in the PRC include rapid urbanization and increases in disposable income.

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

	2010	2011	2012	2013	2014	2015	CAGR
Urban population (in millions)	669.8	690.8	711.8	731.1	749.2	767.5	2.8%
Urbanization rate (%)	49.9	51.3	52.6	53.7	54.8	55.9	N/A
Per capita disposable income of urban households (RMB)	19,109.4	21,809.8	24,564.7	26,467.0	28,843.9	31,194.8	10.3%

Source: NBSC

Furthermore, demand for real estate is driven by the emergence and growth of the mortgage lending market in China. Due to this favorable market environment, investment in real estate development in China rose from approximately RMB4,825.9 billion in 2010 to approximately RMB9,597.9 billion in 2015, representing a CAGR of approximately 14.7%.

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

	2010	2011	2012	2013	2014	2015	CAGR
Real estate development investment (RMB in billions)	4,825.9	6,179.7	7,180.4	8,601.3	9,503.6	9,597.9	14.7%
Total GFA of commodity properties ⁽¹⁾ sold (million sq.m.)	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,284.9	4.2%
Total GFA of residential properties sold (million sq.m.)	933.8	965.3	984.7	1,157.2	1,051.9	1,124.1	3.8%
Average selling price of commodity properties ⁽²⁾ (RMB per sq.m.)	5,032.0	5,357.1	5,791.0	6,237.0	6,324.0	6,792.5	6.2%
Average selling price of residential properties (RMB per sq.m.)	4,725.0	4,993.2	5,429.9	5,849.8	5,933.0 ⁽³⁾	6,472.4	6.5%
Total sales revenue of commodity properties ⁽¹⁾ (RMB in billions)	5,272.1	5,858.9	6,445.6	8,142.8	7,629.2	8,728.1	10.6%
Total sales revenue of residential properties (RMB in billions)	4,412.1	4,819.8	5,346.7	6,769.5	6,241.1	7,275.3	10.5%

Source: NBSC

(1) Including residential properties, office buildings, properties for business use and others

(2) Calculated by “total sales revenue of commodity properties” divided by “total GFA of commodity properties sold”

(3) Calculated by “total sales revenue of residential properties” divided by “total GFA of residential properties sold”

The average selling price of commodity properties sold in China increased from approximately RMB5,032.0 per sq.m. in 2010 to approximately RMB\$6,792.5 per sq.m. in 2015, while the average selling price of residential properties increased from approximately RMB4,725.0 per sq.m. in 2010 to approximately RMB6,472.4 per sq.m. in 2015.

Recent Developments of Real Estate Policies in the PRC

The real estate market in the PRC is subject to extensive government regulation. The PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by promulgating laws and regulations and imposing industry policies and other economic measures. Over the past few years, in order to avoid over-heating of the real estate market, the PRC government has promulgated various restrictive measures to stabilize housing prices. Recently, some of these measures have been relaxed. For details of recent developments of real estate policies in the PRC, see the section headed “—Real Estate Markets of Selected Cities in the PRC” below and the section headed “Regulations—Measures on Stabilizing Housing Price” in this offering memorandum.

Market Share and Ranking of Our Group

We believe we have a leading market position in Fujian province and Fuzhou, the capital city of Fujian province. We were ranked first in Fujian province on the “Top 20 Real Estate Developers in Fujian province in 2015” list and 33rd nationwide on the “Top 50 Real Estate Developers in China in 2015” list, jointly compiled by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Evaluation Center based on a comprehensive set of criteria, including size, risk management, profitability, growth potential, operating results, innovation and social responsibility. According to CRIC, based on pre-sale data reported by developers to the Fuzhou Real Estate Transaction Center as required by local regulations, we were ranked second in the urban districts (namely, Gulou, Taijiang, Cangshan, Mawei and Jin’an) of Fuzhou in terms of pre-sales in the six months ended June 30, 2016.

DEVELOPMENT OF THE WESTERN TAIWAN STRAITS ECONOMIC ZONE

The establishment of the Western Taiwan Straits Economic Zone was formally proposed in 2004 and approved in 2005 by the Fujian provincial government to promote cooperation and trade liberalization of the region. In 2006, the statement “supporting the economic development of Western Taiwan Straits Zone (支持海峽西岸經濟發展)” was officially included in the central government’s “Eleventh Five-Year Plan of PRC.” On May 6, 2009, the State Council promulgated the “Several Opinions in relation to Supporting Fujian Province to Accelerate the Development of the Western Taiwan Straits Economic Zone (Guo Fa [2009] No. 24) (《關於支持福建省加快建設海峽西岸經濟區的若干意見》(國發[2009]24號))”, pursuant to which the PRC government intends to accelerate the development of the Western Taiwan Straits Economic Zone in order to boost the nation’s coastal economy as a whole, channel overseas capital to western and central China and forge stronger economic cooperation with Taiwan.

The Western Taiwan Straits Economic Zone includes Fuzhou, Xiamen, Zhangzhou, Quanzhou, Putian, Sanming, Nanping, Longyan and Ningde in Fujian province; Wenzhou, Lishui and Quzhou in Zhejiang province; Shantou, Meizhou, Chaozhou and Jieyang in Guangdong province; and Shangrao, Yingtan, Fuzhou and Ganzhou in Jiangxi province.

With a land area of approximately 270,000 square kilometers, the Western Taiwan Straits Economic Zone is famous for being the hometown of millions of overseas Chinese and enjoys favorable natural and social resources. With its prime location in proximity to Taiwan, Hong Kong and Macau, private economy in the Western Taiwan Straits Economic Zone has flourished.

We believe that Fujian province is the key constituent of the Western Taiwan Straits Economic Zone. Leveraging its location alongside the Taiwan Straits, we believe that Fujian province is well positioned to act as the gateway of the Western Taiwan Straits Economic Zone linking the Pearl River Delta and the Yangtze River Delta, which are the most developed areas in China, as well as the vast hinterland of Central China.

For 2014, per capita GDP of Fujian province reached RMB63,472, while per capita disposable income of urban households reached RMB30,722, representing a growth of 9.1% and 9.0% over 2013, respectively, both of which were above the corresponding national growth rates. We believe that the strong economic performance will lead to continuous demand in the property market in the region.

REAL ESTATE MARKETS OF SELECTED CITIES IN THE PRC

Fuzhou

Fuzhou is the capital city of Fujian province, situated in southeast China and facing the Taiwan Straits. It is the political, economic and cultural center of Western Taiwan Straits Economic Zone. It occupies a total land area of approximately 11,968 million sq.m. and has five urban districts including Gulou district, Taijiang district, Cangshan district, Mawei district and Jin’an district. Fuzhou is a major economic hub in Fujian province with a long entrepreneurial tradition.

According to the Fuzhou Municipal Bureau of Statistics, Fuzhou had a population of approximately 7.5 million as of the end of 2015. In 2015, its nominal GDP reached approximately RMB561.8 billion, representing a per capita nominal GDP of RMB74,908.0. The table below sets forth selected economic indicators of Fuzhou for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR
Total population (in millions)	7.1	7.2	7.3	7.3	7.4	7.5	1.1%
Urbanization rate (%)	62.0	63.3	64.8	65.9	66.9	67.7	N/A
Nominal GDP (RMB in billions) . . .	312.3	373.6	421.1	467.8	516.9	561.8	12.5%
Per capita GDP (RMB)	44,667.0	52,152	58,202	64,045	69,995	74,908.0	10.9%
Real GDP growth rate (%)	14.2	13.0	12.1	11.5	10.1	9.6	N/A
Fixed-asset investment (RMB in billions)	231.7	272.0	323.5	383.4	438.9	489.4	16.1%
Per capita disposable income of urban households (RMB)	22,723.0	26,050.0	29,398.7	29,662.6	32,450.9	34,981.6	9.0%

Source: NBSC and Fuzhou Municipal Bureau of Statistics

Real estate investment increased from RMB67.1 billion in 2010 to RMB138.1 billion in 2015, representing a CAGR of 15.5%. The total GFA of commodity properties sold in Fuzhou was approximately 9.1 million sq.m. in 2015, representing a decrease of approximately 0.6 million sq.m. over 2014.

The table below illustrates key figures relating to the real estate market in Fuzhou for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR
Real estate investment (RMB in billions)	67.1	96.3	97.2	126.5	145.5	138.1	15.5%
Total GFA of commodity properties sold (million sq.m.)	6.0	6.2	8.4	12.6	9.7	9.1	8.9%
Total GFA of residential properties sold (million sq.m.)	5.3	5.3	7.3	11.1	8.2	7.5	7.1%
Average selling price of commodity properties (RMB per sq.m.)	8,414.0	10,178.2	11,188.3	11,235.9	10,718.8	11,653.3	6.7%
Average selling price of residential properties (RMB per sq.m.)	7,877.0	9,553.2	10,644.5	10,155.4	10,105.2	11,332.7	7.5%
Total sales revenue of commodity properties (RMB in billions)	50.3	63.2	94.1	141.2	103.5	106.6	16.2%
Total sales revenue of residential properties (RMB in billions)	41.8	50.8	78.1	112.3	82.5	84.9	15.2%

Source: NBSC, Fuzhou Municipal Bureau of Statistics, China Real Estate Index System

* from 2010 to 2015

Local Real Estate Policies

On October 10, 2010, the Fuzhou municipal government issued a temporary restrictive policy providing that, from the date of issue through December 31, 2010, each Fuzhou resident household is allowed to purchase only one new residential property in the five urban districts of Fuzhou; each non-Fuzhou resident household who is able to provide a local tax payment certificate or social security payment certificate for more than one year is allowed to purchase only one residential property in the five urban districts of Fuzhou city; the Fuzhou resident households who already own two or more residential properties or non-Fuzhou resident households who own one or more residential properties or non-Fuzhou resident households who are not able to provide a local tax payment certificate or social security payment certificate for more than one year are not allowed to purchase residential properties in the five urban districts of Fuzhou. The notice also prescribes that all commercial banks shall

suspend granting loans for resident households to purchase a third or further home; the minimum down-payment in respect of loans on purchase of residential properties is 30% of the purchase price; the minimum down payment in respect of loans on purchase of the second residential properties is 50% of the purchase price and the loan interest rate must be at least 1.1 times of the relevant benchmark lending rate.

On November 25, 2013, the Fuzhou municipal government issued a further restrictive policy to raise the housing purchase standards of non-Fuzhou families. Specifically, no residential properties are allowed to be sold to non-Fuzhou resident households who are not able to provide a local certificate of accumulated over two years' tax payment or social security payment within a three-year period up to the date of purchase.

On September 22, 2014, the Fuzhou municipal government issued a new policy relaxing certain restrictive policies previously introduced: (i) canceling municipal purchase restriction measures; (ii) abolishing the requirement to provide certificates of tax payment or social security payment over a certain period during the procedures with respect to signing contracts (signing online), applying for loans, registering property rights and so on when purchasing residential properties; (iii) regarding as the first loan when the housing buyer re-applies for a loan after paying off the previous outstanding loan; and (iv) financial institutions implementing the low standards of relevant provisions with respect to down payment proportion and interest rates of loans.

Xiamen

Xiamen is a major city in Fujian province. Xiamen was one of the first four special economic zones in China enjoying favorable economic policies. It occupies a total land area of approximately 1,573 million sq.m.

According to the Xiamen Municipal Bureau of Statistics, Xiamen had a population of approximately 3.9 million as of the end of 2015. In 2015, its nominal GDP reached approximately RMB346.6 billion, representing a per capita nominal GDP of RMB89,793.3. The table below sets forth selected economic indicators relating to Xiamen for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR
Total population (in millions)	3.5	3.6	3.7	3.7	3.8	3.9	1.8%
Nominal GDP (RMB in billions) . . .	206.0	253.9	281.5	301.8	327.4	346.6	11.0%
Per capita GDP (RMB)	58,337.0	70,832	77,340	81,572	86,832.0	89,793.3	9.0%
Real GDP growth rate (%)	15.1	15.1	12.1	9.4	9.2	7.2	N/A
Fixed-asset investment (RMB in billions)	101.0	112.8	132.3	133.7	156.2	189.7	13.4%
Per capita disposable income of urban households (RMB)	29,253.1	33,565.3	37,576.0	36,622.1	39,625.1	42,606.6	7.8%

Source: NBSC and Xiamen Municipal Bureau of Statistics

Real estate investment increased from RMB39.6 billion in 2010 to RMB77.4 billion in 2015, representing a CAGR of 14.3%. The total GFA of commodity properties sold in Xiamen was approximately 5.7 million sq.m. in 2015.

The table below illustrates key figures relating to the real estate market in Xiamen for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR
Real estate investment (RMB in billions)	39.6	43.8	51.9	53.2	70.4	77.4	14.3%
Total GFA of commodity properties sold (million sq.m.)	4.3	4.5	6.2	7.9	7.9	5.7	6.0%
Total GFA of residential properties sold (million sq.m.)	2.4	2.7	4.8	5.8	5.1	3.5	7.7%
Average selling price of commodity properties (RMB per sq.m.)	8,883.5	10,555.7	12,280.5	13,624.5	15,378.1	16,121.8	12.7%
Average selling price of residential properties (RMB per sq.m.)	11,589.7	13,422.6	12,953.4	14,551.1	17,777.6	18,928.1	10.3%
Total sales revenue of commodity properties (RMB in billions)	37.9	47.0	75.6	107.2	121.5	92.0	19.4%
Total sales revenue of residential properties (RMB in billions)	27.7	36.5	62.2	84.6	90.7	65.5	18.8%

Source: NBSC, Xiamen Municipal Bureau of Statistics, China Real Estate Index System

* from 2010 to 2015

Local Real Estate Policies

On February 20, 2011, the Xiamen municipal government issued a temporary restrictive policy providing that, from the date of issue through December 31, 2011, only one residential property is allowed to be sold to Xiamen resident households who already own one residential property and non-Xiamen resident households who are able to provide a local tax payment certificate or social security payment certificate for more than one year within a two-year period up to the date of purchasing, and no residential properties are allowed to be sold to Xiamen resident households who already own two or more residential properties or non-Xiamen resident households who own one or more residential properties or non-Xiamen resident households who are not able to provide a local tax payment certificate or social security payment certificate for more than one year within a two-year period. Besides, the minimum down payment with regard to loans on purchase of the second residential properties is 60% of the purchase price and the loan interest rate must be at least 1.1 times of the relevant benchmark lending rate.

On April 2, 2013, the Xiamen municipal government issued a further restrictive policy re-confirming the restrictive policy issued on February 20, 2011. In addition, non-Xiamen resident households are not able to purchase residential properties by submitting certificates of a supplementary payment of tax or social security.

On August 20, 2014, the Land Resources and Real Estate Management Bureau and five other municipal departments of Xiamen jointly issued the “Implementation Opinions on Promoting the Stable and Healthy Growth of the Real Estate Market” (《關於促進房地產市場平穩健康發展的實施意見》), proposing certain adjustments to housing purchase restriction measures previously issued. Accordingly, Jimei district, Haicang district, Tongan district and Xiang'an district are no longer implementing housing purchase restriction measures; Siming district and Huli district are no longer implementing housing purchase restriction measures with regard to non-ordinary commodity housing. On January 15, 2015, the Xiamen municipal government issued a further policy providing that Siming district and Huli district are no longer implementing purchase restriction measures.

Zhangzhou

Traditionally an agricultural center, Zhangzhou is a major city in Fujian province situated between two special economic zones known for vibrant economic activities: Xiamen and Shantou in Guangdong province. It occupies a total land area of approximately 12,607 million sq.m.

According to the Zhangzhou Municipal Bureau of Statistics, Zhangzhou had a population of approximately 5.0 million as of the end of 2015. In 2015, its nominal GDP reached approximately RMB276.7 billion, representing a per capita GDP of RMB55,571.0. The table below sets forth selected economic indicators relating to Zhangzhou for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR
Total population (in millions)	4.8	4.8	4.9	4.9	5.0	5.0	0.8%
Urbanization rate (%)	46.7	47.9	52.0	53.0	53.8	54.8	N/A
Nominal GDP (RMB in billions)	143.1	176.8	201.3	223.6	250.6	276.7	14.1%
Per capita GDP (RMB)	29,769.0	36,641.0	41,333.0	45,494.0	50,685.0	55,571.0	13.3%
Real GDP growth rate (%)	14.9	14.7	12.6	11.5	11.3	11.0	N/A
Fixed-asset investment (RMB in billions)	83.7	111.6	144.4	171.3	208.2	257.4	25.2%
Per capita disposable income of urban households (RMB)	18,481.7	21,137.0	23,951.4	23,486.7	25,741.4	28,091.6	8.7%

Source: NBSC and Zhangzhou Municipal Bureau of Statistics

Real estate investment increased from RMB16.0 billion in 2010 to RMB50.3 billion in 2015, representing a CAGR of 25.8%. The total GFA of commodity properties sold in Zhangzhou was approximately 5.5 million sq.m. in 2015, representing an increase of approximately 0.8 million sq.m. over 2014.

The table below illustrates key figures relating to the real estate market in Zhangzhou for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR
Real estate investment (RMB in billions)	16.0	22.3	25.4	35.6	47.2	50.3	25.8%
Total GFA of commodity properties sold (million sq.m.)	2.9	3.4	3.5	4.9	4.7	5.5	14.0%
Total GFA of residential properties sold (million sq.m.)	2.6	3.0	2.9	4.3	4.2	5.0	14.0%
Average selling price of commodity properties (RMB per sq.m.)	4,268.0	5,453.0	5,606.0	6,145.0	5,805.0	N/A ⁽¹⁾	N/A ⁽¹⁾
Average selling price of residential properties (RMB per sq.m.)	4,068.0	4,919.0	5,281.0	5,909.0	5,580.0	N/A ⁽¹⁾	N/A ⁽¹⁾
Total sales revenue of commodity properties (RMB in billions)	12.2	18.5	19.7	30.1	27.6	N/A ⁽¹⁾	N/A ⁽¹⁾
Total sales revenue of residential properties (RMB in billions)	10.5	14.7	15.5	25.3	23.3	N/A ⁽¹⁾	N/A ⁽¹⁾

Source: NBSC, Zhangzhou Municipal Bureau of Statistics, China Real Estate Index System

(1) Data not available

* from 2010 to 2015

Local Real Estate Policies

On March 23, 2011, the Zhangzhou municipal government issued a restrictive policy providing that from January 28, 2011 real estate transactions of residential properties purchased and possessed by individuals less than five years should be levied taxes according to the full sales income of the transactions. In addition, the minimum down payment with regard to loans on purchase of a second residential property is 60% of the purchase price and the loan interest rate must be at least 1.1 times of the relevant benchmark lending rate.

Shanghai

Shanghai is one of the four municipalities directly administered by the PRC central government and also the economic and financial center of China. It is home to the headquarters of numerous prestigious domestic enterprises and multinational firms and has the first pilot free trade zone in China. Shanghai occupies a total land area of approximately 6,341 million sq.m.

According to the Shanghai Municipal Bureau of Statistics, Shanghai had a population of approximately 24.2 million as of the end of 2015. In 2015, its nominal GDP reached approximately RMB2,496.5 billion, representing a per capita nominal GDP of RMB103,141.0. The table below sets forth selected economic indicators relating to Shanghai for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR
Total population (in millions)	23.0	23.5	23.8	24.2	24.3	24.2	1.0%
Urbanization rate (%)	89.3	89.3	89.3	89.6	89.6	87.6	N/A
Nominal GDP (RMB in billions)	1,716.6	1,919.6	2,018.2	2,181.8	2,356.8	2,496.5	7.8%
Per capita GDP (RMB)	76,074.5	82,560.0	85,373.0	90,993.0	97,370.0	103,141.0	6.3%
Real GDP growth rate (%)	10.3	8.2	7.5	7.7	7.0	6.9	N/A
Fixed-asset investment (RMB in billions)	510.9	496.2	511.8	564.8	601.6	635.3	4.5%
Per capita disposable income of urban households (RMB)	31,838.1	36,230.5	40,188.3	43,851.4	48,851.9	52,962.0	10.7%

Source: NBSC and Shanghai Municipal Bureau of Statistics

Real estate investment increased from RMB198.1 billion in 2010 to RMB349.6 billion in 2015, representing a CAGR of 11.9%. The total GFA of commodity properties sold in Shanghai was approximately 24.3 million sq.m. in 2015, representing an increase of approximately 3.5 million sq.m. over 2014.

The table below illustrates key figures relating to the real estate market in Shanghai for the years indicated.

	2010	2011	2012	2013	2014	2015	CAGR
Real estate investment (RMB in billions)	198.1	225.4	238.1	282.0	320.6	349.6	11.9%
Total GFA of commodity properties sold (million sq.m.)	20.6	17.9	19.0	23.8	20.8	24.3	3.4%
Total GFA of residential properties sold (million sq.m.)	16.9	15.0	15.9	20.2	17.8	20.1	3.5%
Average selling price of commodity properties (RMB per sq.m.)	14,464.0	14,603.2	14,061.4	16,420.0	16,787.0	20,949.4	7.7%
Average selling price of residential properties (RMB per sq.m.)	14,290.0	13,565.8	13,869.9	16,192.0	16,415.0	21,501.1	8.5%
Total sales revenue of commodity properties (RMB in billions)	296.0	256.9	266.9	391.2	350.0	509.4	11.5%
Total sales revenue of residential properties (RMB in billions)	239.5	198.2	220.9	326.4	292.3	432.0	12.5%

Source: NBSC and Shanghai Municipal Bureau of Statistics, China Real Estate Index System

* from 2010 to 2015

Local Real Estate Policies

On October 7, 2010, the Shanghai municipal government issued a restrictive policy providing that local resident households and those from other provinces and municipalities may only purchase one new residential

property (including second-hand housing in stock) in Shanghai. All commercial banks shall disburse loans to households to buy a residential property, provided that the down payment is no less than 30% of the total purchase price. With regards to loans to buy a second home, the down payment shall not be less than 50% of the total purchase price, and the loan interest rate shall not be less than 1.1 times of the benchmark interest rate. No housing loans shall be disbursed to households for buying a third or more residential property.

On January 31, 2011, the Shanghai municipal government issued a restrictive policy providing that only one residential property (either new or second-hand) is allowed to be sold to Shanghai resident households who already own one residential property or non-Shanghai resident households who are able to provide a local tax payment certificate or social security payment (urban social security) certificate for more than one year within a two-year period up to the date of purchasing, and no properties are allowed to be sold to Shanghai resident households who already own more than one residential property or non-Shanghai resident households who already own residential properties or non-Shanghai resident households who are not able to provide a local tax payment certificate or social security payment (urban social security) certificate for more than one year within a two-year period.

On March 30, 2013, the Shanghai municipal government issued a further policy providing that national and local purchase restrictions imposed on housing together with their relevant implemented rules, and differentiated credit extension policies based on housing types shall be strictly enforced.

On November 8, 2013, the Shanghai Housing Support and Management Bureau issued the “Notice on the Strict Implementation of Restriction Measures Related to the Purchase of Housing Issues” (《限購措施有關問題的通知》), which increased the tax and social security payment period of non-Shanghai resident households which are able to purchase residential properties in Shanghai city from “accumulated over one year’s tax payment or social security payment within a two-year period up to the date of purchasing” to “accumulated over two years’ tax payment or social security payment within a three-year period up to the date of purchasing.”

Hangzhou

Hangzhou is the capital city of Zhejiang province situated in southeast China. It occupies a total land area of approximately 16,596 million sq.m.

According to the Hangzhou Municipal Bureau of Statistics, Hangzhou had a population of approximately 9.0 million as of the end of 2015. In 2015, its nominal GDP reached approximately RMB1,005.4 billion, representing a per capita nominal GDP of RMB555.6. The table below illustrates key figures relating to the real estate market in Hangzhou for the years indicated.

	2010	2011	2012	2013	2014	2015	CAGR
Total population (in millions)	8.7	8.7	8.8	8.8	8.9	9.0	0.7%
Urbanization rate (%)	73.3	73.9	74.3	74.9	75.1	75.3	N/A
Nominal GDP (RMB in billions)	594.9	701.9	780.2	834.4	920.6	1,005.4	11.1%
Per capita GDP (RMB)	69,828.0	80,478.0	88,962.0	94,566.0	103,757.0	555.6	10.0%
Real GDP growth rate (%)	12.0	10.1	9.0	8.0	8.2	10.2	N/A
Fixed-asset investment (RMB in billions)	275.3	310.0	372.3	426.4	495.3	555.6	15.1%
Per capita disposable income of urban households (RMB)	30,035.0	34,065.0	37,511.0	39,310.0	44,632.0	48,316.0	10.0%

Source: NBSC and Hangzhou Municipal Bureau of Statistics

Real estate investment increased from RMB95.6 billion in 2010 to RMB247.3 billion in 2015, representing a CAGR of 20.9%. The total GFA of commodity properties sold in Hangzhou was approximately 14.8 million sq.m. in 2015, representing an increase of approximately 3.6 million sq.m. over 2014.

The table below illustrates key figures relating to the real estate market in Hangzhou for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR
Real estate investment (RMB in billions)	95.6	120.2	159.7	185.3	230.2	247.3	20.9%
Total GFA of commodity properties sold (million sq.m.)	9.9	7.4	10.9	11.4	11.2	14.8	8.4%
Total GFA of residential properties sold (million sq.m.)	8.0	6.0	9.2	9.7	9.5	12.9	10.1%
Average selling price of commodity properties (RMB per sq.m.)	14,132.5	13,286.0	13,447.4	15,022.0	13,895.5	14,422.0	0.4%
Average selling price of residential properties (RMB per sq.m.)	14,259.2	12,748.6	13,291.7	14,678.6	14,035.3	14,747.9	0.7%
Total sales revenue of commodity properties (RMB in billions)	139.7	98.1	146.5	171.1	156.0	213.8	8.9%
Total sales revenue of residential properties (RMB in billions)	113.7	76.5	122.3	142.2	133.7	190.6	10.9%

Source: NBSC and Hangzhou Municipal Bureau of Statistics, China Real Estate Index System

* from 2010 to 2015

Local Real Estate Policies

On February 28, 2011, the Hangzhou municipal government issued a restrictive policy providing that only one residential property (including new housing and second-hand housing) is allowed to be sold to Hangzhou resident households who already own one residential property or non-Hangzhou resident households who are able to provide a local certificate of accumulated over one year's tax payment or social security payment (urban social security) within a two-year period up to the date of purchasing, and no properties are allowed to be sold to Hangzhou resident households who already own two or more residential properties or non-Hangzhou resident households who own one or more residential properties or non-Hangzhou resident households who are not able to provide a local certificate of accumulated over one year's tax payment or social security payment (urban social security) within a two-year period. Moreover, the minimum down payment in respect of loans for the purchase of a second residential properties is 60% of the purchase price and the loan interest rate must be at least 1.1 times the relevant benchmark lending rate.

On March 31, 2013, the Hangzhou municipal government issued a further notice which includes that purchase restrictions imposed on housing and differentiated credit extension policies based on housing types shall be strictly enforced.

On July 29, 2014, the Hangzhou municipal government abolished the housing purchase restrictions in Yuhang district and Xiaoshan district as well as the purchase restrictions on residential properties (including new and second-hand residential properties) in urban districts with a total GFA of less than 140 sq.m. On August 29, 2014, the Hangzhou municipal government issued a further policy providing that from the same date, the Hangzhou Housing Support and Management Bureau will no longer provide housing situation enquiry records for purchase of residential properties with a total GFA less than 140 sq.m.

COMPETITION IN THE REAL ESTATE MARKET OF THE PRC

The PRC real estate industry is highly fragmented and competitive. In 2013, the aggregate market share in terms of sales value of the top 100 property enterprises in the PRC was less than 30%. However, concentration of the PRC property market has increased as the aggregate market share of the top 100 enterprises has gradually increased over the past six years. As a real estate developer in China, we primarily compete with other top

Chinese real estate developers focusing on the development of residential properties in the PRC. We compete on many fronts, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors.

The following table sets forth the market share of the top 100 property enterprises in the PRC for the periods indicated:

	2010	2011	2012	2013	2014	2015
Top 10 enterprises	11.31%	10.52%	12.37%	13.25%	16.69%	15.98%
Top 20 enterprises	16.08%	14.37%	17.12%	18.10%	22.10%	21.34%
Top 50 enterprises	22.33%	19.65%	29.34%	24.12%	28.83%	28.21%
Top 100 enterprises	26.92%	24.92%	35.17%	29.48%	31.96%	32.60%

Source: China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

(1) Market share represents the proportion which annual sales amount of the relevant property enterprises compared to the sales amount of the entire market for the year indicated.

In recent years, an increasing number of property developers from the PRC and overseas have entered the property development markets in the cities where we have operations, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector. We believe major entry barriers into the PRC property development industry include a potential entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. We believe that the PRC real estate industry still has large growth potential. We believe that, with our solid experience in real estate development since 2003, our strategic focus on mid to high-end residential properties targeting middle to upper-middle income households in the Western Taiwan Straits Economic Zone and other first and second-tier cities in China, our reputable brand name and our effective management team, we are able to respond promptly and effectively to challenges in the PRC property market. We may confront more competitors when entering new markets.

PRICES OF KEY CONSTRUCTION MATERIALS

According to public information available from Bloomberg, the annual average market price of steel rebar, a major raw material in building construction, decreased from RMB3,930 per ton in 2012 to RMB3,573 per ton in 2013. The average market price of steel rebar decreased to RMB3,154 per ton in 2014, and further dropped to RMB2,317 per ton in 2015. Average price of coking coal, a major component in the production of cement, decreased from RMB1,727 per ton in 2012 to RMB488 per ton in 2013. The average market price of coking coal decreased to RMB1,163 per ton in 2014, and further dropped to RMB909 per ton in 2015.

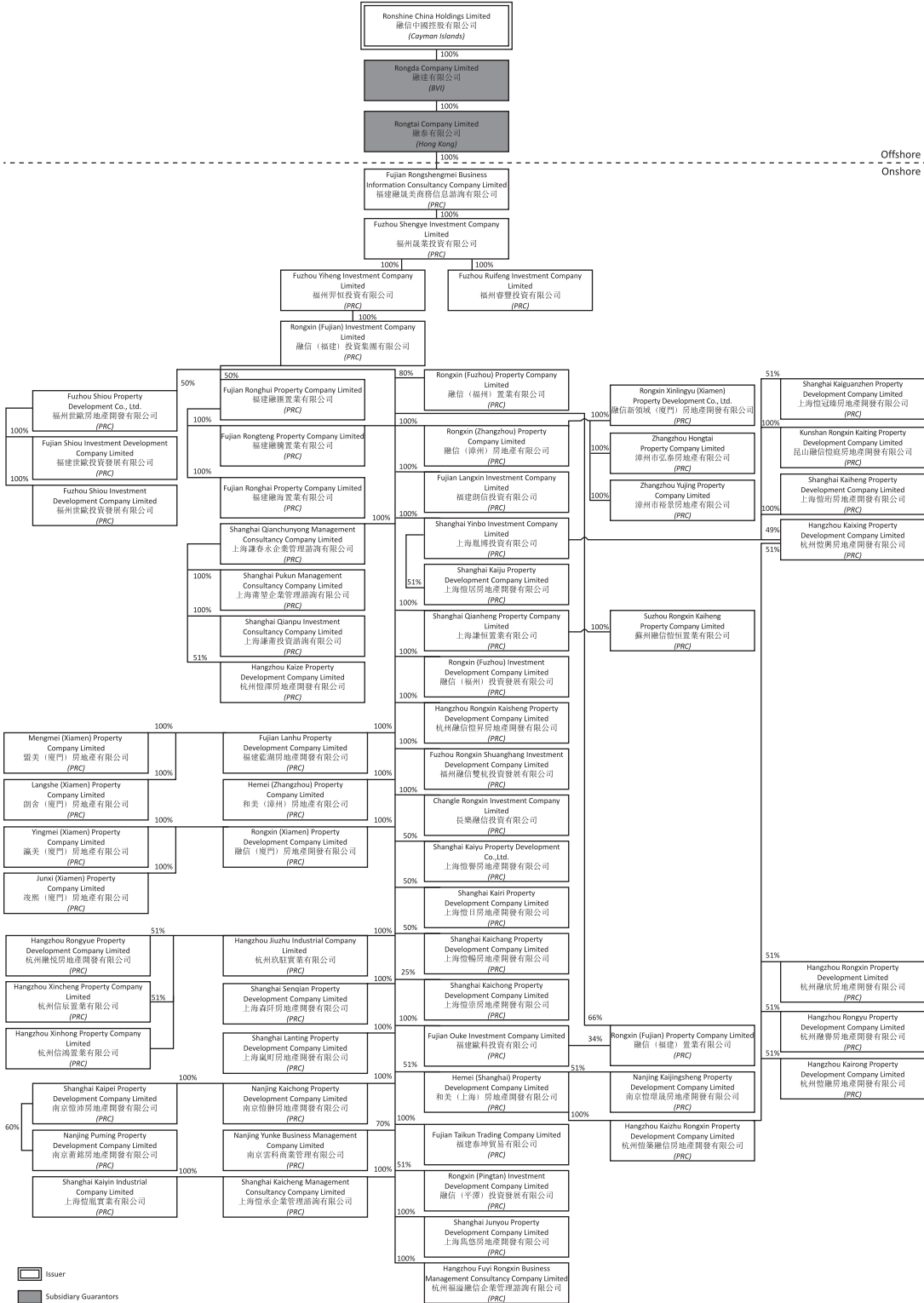
SOURCES OF INFORMATION

We believe that it is general market practice to adopt the information and statistics set forth in this section based on official data and announcements from various PRC government agencies and database such as Bloomberg, and regarded them as reliable. While preparing such information and statistics, we have relied on the assumptions listed below:

- All data published by statistics bureaus of the PRC government are true and correct; and
- All information relating to residential sales transactions collected from the relevant local housing administrative bureaus is true and correct.

CORPORATE STRUCTURE

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



BUSINESS

OVERVIEW

We are a property developer in the PRC that focuses on the development of residential properties in cities in the Western Taiwan Straits Economic Zone and selected first and second-tier cities. The Western Taiwan Straits Economic Zone is an area centered around the coastal areas of Fujian province and is often associated with entrepreneurship and economic growth.* We believe we have a leading market position in Fujian province and Fuzhou, the capital city of Fujian province. We were ranked first in Fujian province on the “Top 20 Real Estate Developers in Fujian province in 2016” list and 28th nationwide on the “Top 50 Real Estate Developers in China in 2016” list, jointly compiled by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Evaluation Center based on a comprehensive set of criteria, including size, risk management, profitability, growth potential, operating results, innovation and social responsibility. According to CRIC, based on pre-sale data reported by developers to the Fuzhou Real Estate Transaction Center as required by local regulations, we were ranked second in the urban districts (namely, Gulou, Taijiang, Cangshan, Mawei and Jin’an) of Fuzhou in terms of pre-sales in the six months ended June 30, 2016.** We have been listed on the Hong Kong Stock Exchange since January 2016. On September 5, 2016, we became a constituent stock of the Hang Seng Composite Small Cap Index.

We are primarily engaged in the development of mid to high-end residential properties targeting middle to upper-middle income households with a demand for home upgrades. We also develop commercial properties integrated with or in the vicinity of our residential properties, including office buildings, retail shops and other commercial properties, which we believe will not only diversify our source of income, but also enhance the attractiveness of and facilitate demand for our residential properties. We intend to selectively sell certain commercial properties and hold others as long-term investments.

We commenced our business in 2003 and have historically focused our property development in the Western Taiwan Straits Economic Zone, capturing the opportunities presented by its rapidly growing economy. We have a well-established development portfolio in this area, including projects in Fuzhou, Zhangzhou and Xiamen. Leveraging our success and experience in the Western Taiwan Straits Economic Zone, we have expanded into Shanghai and Hangzhou, which are important economic centers in the Yangtze River Delta. We intend to solidify our market position in the Western Taiwan Straits Economic Zone and enhance our position in Shanghai and Hangzhou while further expanding in a prudent manner into other first and second-tier cities.

As of June 30, 2016, we had 39 property development projects, through our subsidiaries, that are at various stages of development, including 17 located in Fuzhou, two in Xiamen, five in Zhangzhou, six in Shanghai and nine in Hangzhou. As of the same date, we had four projects we jointly controlled with other property developers and one project we operated with another property developer in which we had no control in the same region. As of June 30, 2016, the projects we developed through our subsidiaries had an estimated total GFA attributable to us of approximately 5.4 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.3 million sq.m., properties under development with an aggregate GFA attributable to us of approximately 2.8 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 2.3 million sq.m. As of the same date, the projects developed by our joint ventures had an estimated total GFA attributable to us of approximately 0.8 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.1 million sq.m., completed GFA held for investment with an aggregate GFA attributable to us approximately

* Encompassing certain cities and areas in Fujian, Zhejiang, Guangdong and Jiangxi provinces. See the section headed “Industry Overview—Development of the Western Taiwan Straits Economic Zone.”

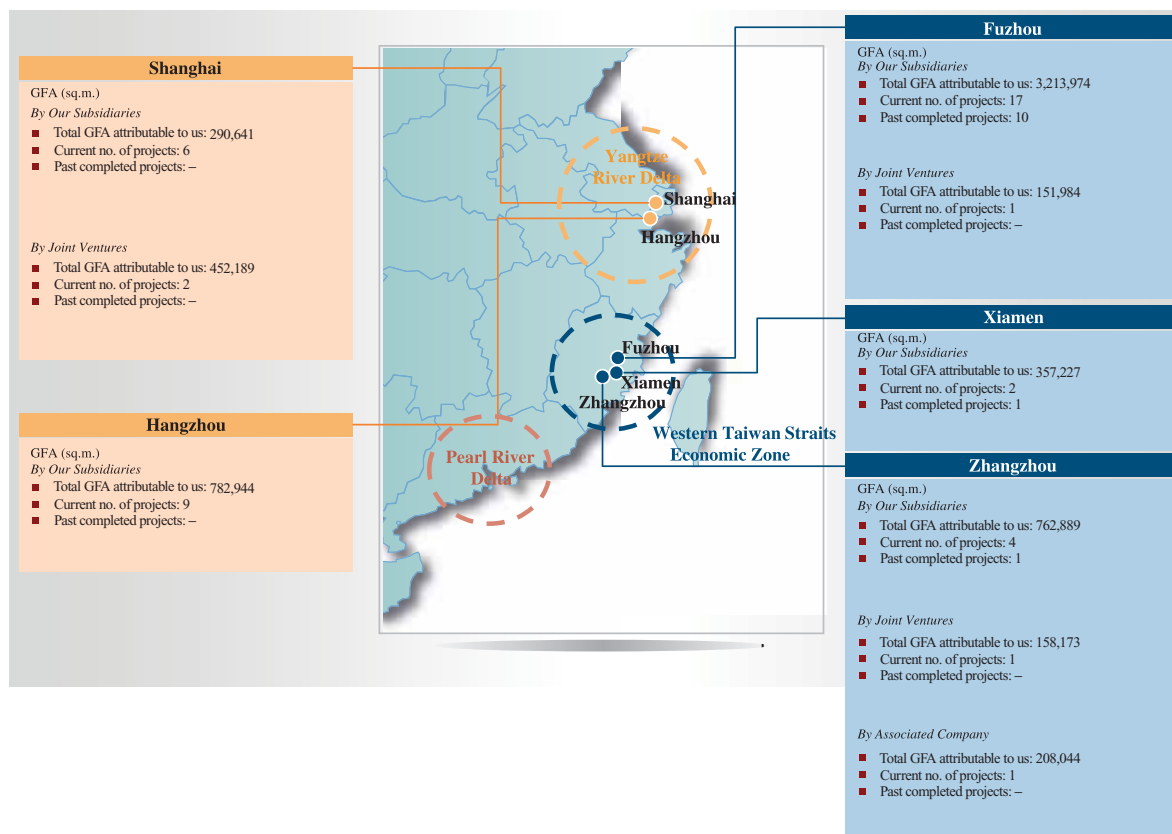
** For purposes of this ranking, all pre-sale results of Shiou Group, our 50%-owned joint venture, were attributed to us before March 2016 and became our subsidiaries since March 2016. Our ranking would remain first with only 50% of the pre-sale results of Shiou Group attributed to us, based on our internal calculations.

0.7 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 0.2 million sq.m., and the project developed by our associated company had an estimated total GFA attributable to us of approximately 0.2 million sq.m., including properties under development with an aggregate GFA attributable to us of approximately 0.17 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 0.04 million sq.m.

The table below sets forth a breakdown of these categories of projects as of June 30, 2016:

	Number of projects	Total GFA attributable to us	
		(sq.m.)	(%)
Projects held by our subsidiaries	39	5,407,676	84.8
Projects held by our joint ventures	4	762,346	11.9
Projects held by our associated company	1	208,044	3.3
	<u>44</u>	<u>6,378,066</u>	<u>100.0</u>

The map below indicates the locations of and our attributable interests in these projects as of June 30, 2016:



As of June 30, 2016, our properties held for future development included an aggregate estimated GFA attributable to us of approximately 1.3 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts and had either paid the relevant land premiums and were awaiting the relevant government agencies to issue the land use rights certificates or had not paid the relevant land premiums because (a) the relevant local governments had extended the relevant payment period as they had not completed resettlement and infrastructure work in relation to the land parcels or (b) the relevant land premiums had not become due.

We believe our success is attributable to our product quality and strong brand name. We focus on developing properties that cater to the demands of our target customers for high-quality homes that feature appealing designs, convenience and comfort, and adjust our property offerings based on customer feedback through market surveys and research on the latest market trend and development. As a result, we have received various awards in recognition of our product quality and our achievements as a property developer. For example, we were awarded as the “2016 Best 10 of Development China Real Estate Developers” by China Real Estate Industry Association (中國房地產協會) and China Real Estate Evaluation Center (中國房地產測評中心) in March 2016, the “Famous Brand of Fujian Province” by the Fujian Province Administration Industry and Commerce (福建省工商行政管理局) and the “2013 Best Urban Operator of Taiwan Straits” by the Strait Real Estate Forum Committee (海峽房地產論壇組委會) in 2013; Lan County was recognized as a China Real Estate Outstanding Brand Property (中國房地產優秀品牌項目) by China Real Estate Association, China Real Estate Research Association and China Real Estate Evaluation Center in 2012; and Lan Garden was recognized as an Outstanding Quality Landmark Estate (卓越品質標杆樓盤) by Xiamen Star TV (廈門衛視), Fang33.com (房米網) and Boss Magazine (閩商雜誌) in 2012. Rongxin (Fujian) Property Management Co., Ltd., the property management company we have engaged to manage our properties, was awarded as “2015 Best 50 of China Property Management Enterprises Brand Value” by the China Real Estate Association (中國房地產協會), China Real Estate Research Association (中國房地產評測中心) and China Real Estate Evaluation Center in September 2015. We also strive to shorten our project development cycle to improve our operating efficiency, expedite asset turnover, enhance liquidity position and achieve sustainable growth, by adopting standardized property development procedures and closely monitoring the entire property development cycle. We typically target to commence pre-sale with 130 days from the commencement of construction.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, our revenue was RMB2,128.9 million, RMB4,099.2 million, RMB7,414.6 million (US\$1,115.7 million) and RMB6,983.4 million (US\$1,050.8 million), respectively, and the profit attributable to our owners was RMB517.7 million, RMB506.5 million, RMB1,432.8 million (US\$215.6 million) and RMB858.2 million (US\$129.1 million), respectively.

RECENT DEVELOPMENT

Rongxin Fujian 2016 Asset-backed Securities

Rongxin Fujian, our wholly owned subsidiaries, issued three tranches of asset-backed securities with an aggregate principal amount of RMB880.0 million (US\$132.4 million) in the PRC in July 2016. The first tranche, Senior Tranche A, has a principal amount of RMB572.0 million (US\$86.1 million) with a coupon rate of 4.8% per annum and a term of three years. The second tranche, Senior Tranche B, has a principal amount of RMB255.2 million (US\$38.4 million) with a coupon rate of 5.4% per annum and a term of three years. The last tranche, the Subordinated Tranche, has a principal amount of RMB52.8 million (US\$7.9 million) with a term of three years, which was issued to our Company at a zero coupon rate. The Rongxin Fujian 2016 Asset-backed Securities are backed by certain account receivables for the balance payment of properties sold. The proceeds from the issuance of such securities are used for general working capital purposes. We provide guarantees for the punctual performance by Rongxin Fujian of its shortfall payment obligations.

Acquisition of Land in Shanghai

On August 17, 2016, we acquired the land use rights in respect of a parcel of land in Zhongxing district, Jing'an, Shanghai, the PRC through an auction process. The consideration for the acquisition was approximately RMB11.0 billion (US\$1.7 billion). The site area of this parcel of land is approximately 31,034.1 sq.m. We expect that the GFA of properties to be constructed on this parcel of land will be approximately 116,704 sq.m. We expect to develop this parcel of land into residential properties, commercial premises and carpark spaces.

OUR BUSINESS STRENGTHS

We believe that our market position is principally attributable to the following competitive strengths:

Strong development capabilities with a track record of success in developing mid to high-end residential properties in the Western Taiwan Straits Economic Zone

We are a property developer in the PRC, with an established market position in the Western Taiwan Straits Economic Zone, an area centered around the coastal areas of Fujian province and is often associated with entrepreneurship and economic growth. We believe we have a leading market position in Fujian province and Fuzhou, the capital city of Fujian province. We were ranked first in Fujian province on the “Top 20 Real Estate Developers in Fujian province in 2016” list and 28th nationwide on the “Top 50 Real Estate Developers in China in 2016” list, jointly compiled by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Evaluation Center based on a comprehensive set of criteria, including size, risk management, profitability, growth potential, operating results, innovation and social responsibility. Since the inception of our business and up to June 30, 2016, we had cumulatively completed development of eight projects in Fuzhou, with a total GFA attributable to us of 1.7 million sq.m. As of June 30, 2016, we had 17 projects under development by our subsidiaries in Fuzhou, Zhangzhou, Xiamen, Shanghai and Hangzhou, with a total estimated GFA attributable to us of 2.8 million sq.m. As of the same date, we also had four projects and one project under development by our joint ventures and associated company in Fuzhou, Zhangzhou and Shanghai, with a total estimated GFA attributable to us of 0.8 million sq.m. and 0.2 million sq.m., respectively. Following a quality-oriented development philosophy, our developments are typically situated at prime locations and feature specifications that are principally marketed to mid to high-end customers who we believe, as compared to other customers, place higher priority on quality in their property purchase decision-making. For example:

- Hangzhou Mansion was awarded with a Real Estate Design China Reward (residential project) (地產設計大獎 • 中國) by China Ruizan Planning and Consultancy (Shanghai) Company Limited and Jingchen Business Consultancy (Shanghai) Company Limited (地產建築師 • 中國睿鑒策劃諮詢 (上海) 有限公司及井辰商務諮詢 (上海) 有限公司) in 2016;
- Ocean City was recognized as a Fuzhou Landmark Property by Lanfan.com and Renmin.com (藍房網&人民網), the most valuable coastal landmark property by Xiamen Real Estate Jinding Award and the most influential property in Xiamen by Toutiao.com, FM94 and Jiufang.com (今日頭條&FM94&九房網) in 2015;
- Festival City was recognized as the most valuable property by Fujian Star Real Estate Award, the best landscape award by Ministry of Zhangzhou Development Zone Planning and Construction (漳州開發區規劃建設局) and the most anticipated property award by Xiamen Sina Leju (廈門新浪樂居) in 2014;
- The White House was recognized as a China Real Estate Outstanding Brand Property Project (中國房地產優秀品牌項目) by China Real Estate Association (中國房地產協會), China Real Estate Research Association (中國房地產研究會) and China Real Estate Evaluation Center (中國房地產評測中心) in 2013;
- Lan County was recognized as a Western Taiwan Straits Five Star Development (海西五星級樓盤) by Fujian Daily (福建日報) in 2012 and a Property of Excellent Quality in Fuzhou (福州品質好樓盤) by SouFun.com (搜房網) in 2013; and
- Lan Garden was recognized as a Western Taiwan Straits Five Star Development (海西五星級樓盤) by Fujian Daily (福建日報) and a New City Landmark in China (中國城市新地標) by SouFun.com (搜房網) in 2012.

As a result, we believe our developments are able to command a premium in pricing compared with averages in cities where they are situated. In 2015, our recognized ASP in Fuzhou, calculated by revenue from sales of properties divided by GFA delivered, was RMB14,820.0 per sq.m. In comparison, according to NBSC, the average selling price of residential properties in Fuzhou was RMB11,332.7 per sq.m. for the same period.*

* Calculated by contracted sales for the relevant period, rather than revenue, divided by the corresponding GFA pre-sold, rather than GFA delivered.

We believe our capabilities to develop quality properties provide us with significant leverage for our future business growth. In addition, by having expanded into selected first and second-tier cities in the Yangtze River Delta, we have accumulated extensive experience in adjusting our property offerings to the needs of our target customers in a new market and overcoming challenges associated with growing our business in a previously unfamiliar territory. We believe such experience will further enhance our reputation as a high-quality property developer and position us well for future business growth.

Quality land bank providing long-term development and growth opportunities

We have strategically selected and acquired land for future development to sustain our continued growth. As of June 30, 2016, the projects developed by our subsidiaries had an estimated total GFA attributable to us of approximately 5.4 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.3 million sq.m., properties under development with an aggregate GFA attributable to us of approximately 2.8 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 2.3 million sq.m. As of June 30, 2016, our properties held for future development included an aggregate estimated GFA attributable to us of approximately 1.3 million sq.m. for which we have not obtained land use rights certificates but have entered into land grant contracts and had either paid the relevant land premiums and were awaiting the relevant government agencies to issue the land use rights certificates or had not paid the relevant land premiums because (a) the relevant local governments had extended the relevant payment period as they had not completed resettlement and infrastructure work in relation to the land parcels or (b) the relevant land premiums had not become due. Most of the land parcels we have acquired are situated at prime locations in first and second-tier cities or cities that we believe to have high growth potential, which, in terms of development potential, we believe are less susceptible to market volatility. Our land bank for future development as of June 30, 2016 had an estimated total GFA attributable to us of approximately 2.3 million sq.m.

The table below sets forth details of our land bank for future development as of June 30, 2016⁽¹⁾:

<u>City</u>	<u>Total Estimated GFA Attributable to Us</u> (sq.m.)	<u>Average Land Acquisition Cost</u> (RMB per sq.m.)
Fuzhou	1,613,470	3,573
Xiamen	170,914	6,255
Shanghai	138,998	9,061
Hangzhou	382,747	14,909
Zhangzhou ⁽²⁾	38,949	2,259
Total	<u>2,344,878</u>	

Notes:

- (1) Comprising land parcels for which we had obtained land use rights but not yet obtained construction work commencement permits and land parcels for which we had not obtained land use rights but had entered into land grant contracts.
- (2) Including the project developed by our associated company.

We acquire most of our land through government-organized auctions and the listing-for-sale process. In addition, we also acquire land through joint ventures with other property developers and by acquiring equity interests from third-party property developers who already hold land use rights.

We believe our strategically located quality land reserves provide us with an attractive property development pipeline and will be sufficient to support our continued growth in the near future.

Strong execution capabilities underpinned by standardized development procedures targeting to expedite asset turnover and enhance operating efficiency

We have adopted systematic project development and management procedures aimed at expediting asset turnover and enhancing our operating efficiency, through well-designed standardized procedures throughout the life cycle of a project. Our system includes a detailed breakdown of key work streams for each stage of the life cycle of a project, with clear division of responsibilities among responsible personnel and related parties.

Our project development and management procedure typically divides the entire project development cycle into eight phases, including project assessment and approval, project initiation, project design, procurement, model properties development, construction, sales and marketing and delivery. Within such phases, we explicitly defined 10, 5, 13, 16, 6, 12, 22 and 8 procedures, respectively, associated with attributions such as duration, deadline, responsible personnel and supervising personnel. Furthermore, we believe strong execution capabilities are essential to ensuring successful implementation of our development procedures. We therefore place great emphasis on the capability and diligence of our staff and issue internal guidance letters to ensure uniform practice from our workforce.

Capitalizing on our project development procedures and strong execution capabilities, we believe we are able to lower our construction cost, efficiently manage and oversee the progress of our project development and ensure consistent product quality. We typically target to commence pre-sale within 130 days from the commencement of construction.

We believe our standardized procedures not only help ensure consistent product quality, which we believe helps enable us to differentiate our properties and achieve favorable selling prices, but, more importantly, also enable us to enhance our operating efficiency and replicate our success when we enter new markets and eventually boost shareholders' return.

Well-recognized brand name with high quality projects facilitating expansion into new markets

We believe that we have established a strong brand name in our existing market through our track record of bringing to market high-quality property projects. We focus on quality throughout the entire development cycle. For example, we engage reputable architects and designers such as Atkins, HBA and Belt Collins, use what we believe to be premium materials and fittings in the construction and furnishing of our properties and closely scrutinize the work of our chosen contractors. In addition, we engage leading local landscaping firms to enhance the attractiveness of our properties which, in turn, provides a comfortable living environment for residents. We cooperate with well-known international brands to create model units for viewing during the pre-sale phase in order to provide customers with an enjoyable purchase experience. The property management company we have engaged has a first class qualification by MOHURD and manages two of our properties which achieved national excellence certifications for property management. We also periodically organize neighborhood festivals, celebrity events, galas and other publicity activities to help market our properties and promote our brand name. In addition, we have engaged leading international hotel managers to manage our hotel properties upon completion of construction. We believe that our focus on quality has enabled us to differentiate our products and achieve favorable selling prices, as our customers appreciate the quality we create and associate our brand with high-quality and customer-oriented properties and services.

The strength of our brand is evidenced by the honors our properties have received. See “—Awards and Recognitions” below. We believe our well-recognized “Rongxin 融信” brand in our existing market will be of great value to us as we solidify and enhance our position in our existing markets and expand our business and geographic reach into other cities and regions in the PRC.

Comprehensive business operation management with prudent and effective management systems

We have adopted a highly disciplined and systematic approach to land acquisition. We aim to select prime locations of key cities in the Western Taiwan Straits Economic Zone and in the first and second tier cities in

China. We generally acquire land based on stringent evaluations on market demand, financial and return criteria. We have also established a sound risk management structure and set up a strategic investment committee to evaluate and analyze development potentials of regions and cities and approve site selection. We have adopted an ERP system, which we believe has enabled our senior management to effectively monitor our Company's daily business activities and manage our financial condition, equity investment and human resources. Our senior management has also been closely monitoring our working capital condition, cost and expenses control and liabilities management, and continually seeks business cooperation opportunities with reputable partners. We believe through such prudent and effective management, we have achieved operational efficiency and ensured financial stability.

Diversified funding channels with strong financing capabilities

We have established relationships with many leading banks as well as other financial institutions in China, which provide us with multiple financing channels to fund our business operations. Our major lending PRC banks include the largest state-controlled national banks, such as Bank of China and Industrial and Commercial Bank of China. To diversify our financing sources and secure sufficient working capital, we also obtained further funding by accessing both the international and domestic capital markets. Our initial public offering and listing of shares on the Hong Kong Stock Exchange took place in January 2016. We have also engaged in various capital raising transactions in the domestic capital markets, including the offerings of the Public Corporate Bonds and the Private Corporate Bonds. In addition, we make active innovation to adopt directional cooperation development to settle project capital demand and sales. In July 2016, we received approval from the Shanghai Stock Exchange to issue Asset-backed Securities backed by certain account receivables from the balance payment of properties sold, which made us the third real estate company in China issuing such securities. We believe that our ability to access international and domestic capital markets provides us with flexibility to fund our operations and enhance our liquidity position. In addition, since 2016, we have gradually replaced trust capital with bank development loans and capital market financing, which has enabled us to reduce our finance costs. In 2013, 2014 and 2015 and the six months ended June 30, 2016, our weighted average interest cost as a percentage to our total borrowings (including bank borrowings, trust and other borrowings, the Private Corporate Bonds and the Public Corporate Bonds) was 10.5%, 10.9%, 10.5% and 7.9%, respectively. We also believe that our ability to efficiently manage capital enables us to optimize our asset turnover.

Sound corporate governance led by visionary, motivated and stable management team

We have a sound corporate governance structure and system led by our visionary, motivated and stable management team. Our founder and Chairman, Mr. Ou Zonghong, was honored as an Outstanding Person of China Real Estate (中國房地產傑出人物) by China Real Estate Association (中國房地產協會), China Real Estate Research Association (中國房地產研究會) and China Real Estate Evaluation Center (中國房地產評測中心) in 2014 and an Exceptional Person of Driving Force for China Real Estate (房地產卓越推動人物) by World Property Forum for Chinese Entrepreneurs of China International Fair for Investment & Trade in 2012. Our management team consists of experienced professionals, some of whom have received recognized qualifications and have extensive experience in the development, sales and management of property projects. Most members of our senior management have over 10 years of experience in the PRC real estate industry. We believe that such experience enhances our ability to execute business plans and develop properties demanded by our target customers. Our senior management team is relatively stable, having served us for an average of about six years. We believe our visionary, motivated and stable management team has contributed to our success and will continue to be a critical factor for our expansion and long-term growth. We also have a team of experienced and dedicated employees with substantial experience and expertise in property development, planning, design, finance and other relevant areas. We recruit employees from well-known universities in the PRC and provide our employees with continuing vocational training to enhance their competency.

In addition, in light of the on-going market changes in recent years, we have been adopting a steady and responsible policy for our operations and development and aim to maintain effective and prudent corporate

governance and continue to improve our internal monitoring and control system. Our senior management also refers to market practice and standards and reviews our Company's governance systems and policies regularly. We believe sound and prudent corporate governance will enhance our credibility and transparency.

OUR BUSINESS STRATEGIES

Our goal is to become one of the most competitive and reputable property developers in the PRC. To achieve our goal, we intend to implement the following strategies:

Enhance our presence in existing markets and strategically expand into other first and second-tier cities while maintaining financial stability

We intend to leverage our strong brand name and extensive experience to continue to develop high-quality properties in the Western Taiwan Straits Economic Zone and the first and second-tier cities where we already have a presence, such as Pingtan David City, The White House, Ocean City and Lan Garden. In particular, we aim to maintain our leading market position in Fujian province and our existing rankings nationwide. We believe our brand name and expertise in developing high-quality properties, coupled with high economic growth in such regions, will allow us to increase our profitability and brand recognition. As part of our expansion strategy, we also intend to selectively acquire more land in Shanghai and Hangzhou, where we already have a presence, to achieve economies of scale in these cities and expand into other first and second-tier cities.

We intend to continue to adopt a disciplined approach to land acquisition. We plan to make all decisions relating to a potential acquisition of a land parcel based on thorough research and detailed analysis of expected return in the context of future property and economic trends in the region where it is located. We seek to expand our land bank while maintaining a system of financial controls and managing our costs through a stringent budget-planning process. We will continue to base our expansion strategy on a principle of maintaining financial stability first.

In selecting sites for future development, we generally target prime locations in our strategically chosen cities. We typically prefer locations in business districts or near local landmarks which we believe to be associated with quality and prestige. We believe that the location of land plays an important role in the value of properties we market to our customers and, in turn, enhance our ability to achieve premium in pricing of our properties.

We believe our strategy to solidify our presence in existing markets and strategically expand into other selected cities in the PRC will enable us to maximize our shareholders' value.

Adhere to prudent financial policy and adopt proactive approach to capital structure management

We plan to closely monitor our capital and cash positions and carefully manage our land costs, construction costs and operating expenses. For example, we have adopted various measures to control our costs and expenses including, among others, setting up target costs for our project design and development, implementing centralized procurement and stipulating detailed and prudent financial policies to manage our administrative expenses and selling and marketing costs. We believe that by adhering to prudent cost management, we will be able to utilize our working capital more efficiently and maintain healthy profit margins.

We monitor our capital and indebtedness level by reviewing our gearing ratio, which is based on total borrowings less total of cash and cash equivalents, restricted cash and term deposits with initial terms of over three months divided by total equity. Our gearing ratio as of June 30, 2016 was 0.9, which is lower than our gearing ratios in 2013, 2014 and 2015. Going forward, we intend to continue to closely monitor the maturity profiles of our borrowings and manage the level of liquidity to ensure sufficient cash flows to service our indebtedness and meet cash requirements arising from our business. We also plan to use leverage prudently, with reference to our equity size, when we acquire new assets to expand our business operation.

We also plan to continue to seek business opportunities to cooperate with business partners to jointly develop projects, to reduce our capital commitment. For example, we cooperate closely with Zhenro Group to jointly develop our Show Kingdom project in Fuzhou and Greenland Group to jointly develop our French Legend, Shanghai Xujing Project and Shanghai Huacao Lot I, II, III and IV projects. We recently brought in a strategic investor, Fujian Ou Construction, which became a 49% shareholder in our two subsidiaries holding our Pingtan David City, Imperial Villa and Blue Peacock Phase I and Phase II projects. This boosted our equity base and reduced our gearing considerably. See “Summary and Highlights—Recent Developments—Developments in Our Business.” We will remain disciplined in our capital commitment and proactive in managing our capital structure to meet our ongoing capital requirements.

Continue to improve operating efficiency and expedite asset turnover

We plan to continue to adopt standardized property development procedures and strengthen our project management and execution capabilities while maintaining the quality of our properties, so as to further expedite our asset turnover and enhance our operating efficiency.

We also intend to achieve operating efficiency through our investment in information technology. We have a dedicated team of information technology professionals managing and upgrading our information management system. We are implementing an ERP system, which collects and delivers operational and financial data on a real-time basis, thus enabling senior management to better supervise our daily business operations, improve operating efficiency and enhance marketing so as to maximize investment returns.

Continue to focus on residential property development while pursuing product diversification

We have focused our business on developing residential properties and intend to continue doing so in the future. We believe our focus on residential property development allows us to better and more efficiently utilize our resources to cater to our target customers’ needs, enhance our brand name and facilitate our sustainable growth.

We believe commercial properties that we typically develop within or around our residential properties attract a healthy flow of pedestrian traffic and commercial activities which will not only diversify our source of income, but also facilitate demand for our residential properties. We believe that the synergy between the different types of properties we offer helps increase the overall attractiveness of our properties in general. As such, we also intend to continue to develop office, retail and other commercial properties in business districts in the cities where we operate. We intend to hold some of such commercial properties as investment properties and procure reputable tenants in order to secure stable and recurring rental income.

Continue to promote our brand recognition and image

We intend to continue to promote our brand by continuing to focus on quality and providing purchasers of our properties with strong after-sales support. We plan to tailor our product offerings and position different product lines based on the preference and demand of our target customers and location of our properties. When right opportunities arise, we also intend to build our image and brand name in the new market by developing marquee buildings in the cities where we plan to expand into. In addition, we plan to continue to host neighborhood festivals, celebrity events, galas and other publicity events that have proven popular for our customers and the general public. At the same time, we intend to continue to build market recognition of our brand through marketing initiatives such as advertising campaigns and participation in property exhibitions and trade conventions.

OUR PROPERTY DEVELOPMENT BUSINESS

Overview

We develop a variety of residential and commercial properties. Our residential properties primarily include high-rise and mid-rise apartments and high-end, low-density properties. Our commercial properties primarily

include office buildings, retail shops and hotels, integrated with, or in the vicinity of, the residential properties. As of June 30, 2016, we had 39 property development projects, through our subsidiaries, that are at various stages of development, including 17 located in Fuzhou, two in Xiamen, five in Zhangzhou, six in Shanghai and nine in Hangzhou. As of the same date, we had four projects we jointly controlled with other property developers and one project we operated with another property developer in which we had no control in the same region. As of June 30, 2016, these projects developed by our subsidiaries had an estimated total GFA attributable to us of approximately 5.4 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.3 million sq.m., properties under development with an aggregate planned GFA attributable to us of approximately 2.8 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 2.3 million sq.m. As of June 30, 2016, our properties held for future development included an aggregate estimated GFA attributable to us of approximately 1.3 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts and had either paid the relevant land premiums and were awaiting the relevant government agencies to issue the land use rights certificates or had not paid the relevant land premiums because (a) the relevant local governments had extended the relevant payment period as they had not completed resettlement and infrastructure work in relation to the land parcels or (b) the relevant land premiums had not become due. See “Risk Factors—Risks Relating to Our Business—Our business may be adversely affected if we fail to obtain, or if there is any delay in obtaining, the relevant PRC governmental approvals for our property development projects.”

As of the same date, these projects developed by our joint ventures had an estimated total GFA attributable to us of approximately 0.8 million sq.m., including completed properties held for sale with an aggregate GFA attributable to us of approximately 0.1 million sq.m., completed GFA held for investment with an aggregate GFA attributable to us approximately 0.7 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 0.2 million sq.m., and projects developed by our associated company had an estimated total GFA attributable to us of approximately 0.2 million sq.m., including properties under development with an aggregate GFA attributable to us of approximately 0.17 million sq.m. and properties held for future development with an aggregate estimated GFA attributable to us of approximately 0.04 million sq.m.

The table below sets forth our classification of properties:

<u>This Offering Memorandum</u>	<u>Information</u>
Completed properties	comprising properties with certificates of completion (including completed properties that have been sold)
Properties under development	comprising properties for which we have obtained the construction work commencement permits but not yet the certificates of completion
Properties held for future development	comprising properties for which we have obtained the land use rights certificates and intend to hold for future development and properties for which we have not obtained the land use rights certificates, but have entered into the land grant contracts or the project company equity transfer agreements

The site area information in this offering memorandum is derived on the following basis:

- when we have received the land use rights certificates, as specified in such land use rights certificates; and
- before we have received the land use rights certificates, as specified in the relevant land grant contracts related to the projects excluding, however, areas earmarked for public infrastructure such as roads and community recreation zones.

The GFA information in this offering memorandum is derived on the following basis:

- for completed projects, if we have obtained records of acceptance examination upon project completion, as specified in such records of acceptance examination upon project completion or, where such records are not yet available, based on our internal records and estimates;

- for projects under development or held for future development,
 - if we have obtained the construction work commencement permits, as specified in such permits;
 - if we have not yet obtained the construction work commencement permits, but have obtained the construction work planning permits, as specified in such construction work planning permits; and
 - if none of the above permits is otherwise available, as specified in land grant contracts and master investment agreements we entered into with regulatory authorities in the PRC or based on our internal records and estimates.
- if we have obtained the pre-sale permit for commodity property for the projects, the saleable GFA information refers to the saleable GFA in these permits;

As some of our projects comprise multiple-phase developments on a rolling basis, these projects may include different phases that are at various stages of completion, under development or held for future development.

Projects Developed Through Our Subsidiaries

The table below sets forth the details of our property development projects developed by our subsidiaries as of June 30, 2016:

					COMPLETED		UNDER DEVELOPMENT		HELD FOR FUTURE DEVELOPMENT	
	Project	Site area (sq. m.)	Actual/ Estimated presale commencement date	Group's beneficial interest (%)	GFA completed (sq. m.)	Saleable GFA (sq. m.)	Planned GFA under development (sq. m.)	Planned saleable GFA (sq. m.)	Estimated GFA (sq. m.)	Estimated GFA without land use rights certificates (sq. m.)
	FUZHOU									
1	Rongxin Super Star City Phase I (融信 • 第一城一期)	49,787	Nov. 2004	100%	92,666	—	—	—	—	—
2	Rongxin Super Star City Phase III (融信 • 第一城三期)	41,802	Sept. 2006	100%	92,558	—	—	—	—	—
3	Rongxin Spanish (融信 • 西班牙)	59,401	Mar. 2007	100%	109,761	—	—	—	—	—
4	Broad View (融信 • 寬城)	62,495	July 2007	100%	163,238	—	—	—	—	—
5	David City (融信 • 大衛城)	191,255	Nov. 2009	100%	430,355	405,665	—	—	—	—
	Residential				333,081	332,187				
	Commercial				8,930	8,930				
	Ancillary				23,796	—				
	Basement (including car parks)				64,548	64,548				
6	Lan County (融信 • 潤郡)	69,618	July 2012	100%	269,859	262,594	—	—	—	—
	Residential				193,021	192,825				
	Resettlement property ⁽¹⁾				29,837	—				
	Ancillary				6,287	3,866				
	Basement (including car parks)				70,551	65,903				
7	The White House (融信 • 白宮)	134,789	Dec. 2013	80% ⁽²⁾	324,535	295,592	82,889	39,916	—	—
	Residential				230,013	229,118	31,365	31,243		
	Commercial				2,942	2,876	—	—		
	Hotel				—	—	39,035	—		
	Ancillary				12,716	—	1,734	—		
	Basement (including car parks)				78,864	63,598	10,754	8,672		
8	Pingtan David City (融信 • 平潭大衛城)	111,320	Mar. 2014	51%	244,012	226,815	183,747	172,889	—	—
	Residential				181,747	181,167	115,973	115,828		
	Commercial				4,259	4,245	30,688	30,590		
	Ancillary				5,690	—	3,638	—		
	Basement (including car parks)				52,316	41,402	33,448	26,470		
9	The Coast (融信 • 後海)	49,959	Sept. 2014	100%	120,554	106,086	45,425	43,568	—	—
	Residential				79,929	78,890	41,176	40,640		
	Resettlement property ⁽¹⁾				32,956	32,956	16,977	16,978		
	Commercial				—	—	3,000	2,928		
	Ancillary				2,426	—	1,250	—		
	Basement (including car parks)				38,200	27,196	—	—		
10	The Twin Harbor City (融信 • 雙杭城)	259,519	Apr. 2015	100%	—	—	323,142	293,445	271,801	516,344
	Residential						132,027	128,673	215,397	378,368
	Resettlement property ⁽¹⁾						—	—	130,014	346,517
	Commercial						13,757	13,482	25,019	79,211
	Office						102,763	100,297	4,860	—
	Ancillary						9,242	—	—	—
	Basement (including car parks)						65,353	50,993	26,526	58,765
11	The Long Island (融信 • 長島)	185,196	Nov. 2015	100%	—	—	426,695	388,163	21,505	360,850
	Residential						291,532	285,701	—	238,043
	Resettlement property ⁽¹⁾						—	—	—	190,000
	Commercial						24,356	23,869	—	20,890
	Resettlement property ⁽¹⁾						—	—	—	17,000
	Office						—	—	17,317	—
	Ancillary						16,117	—	4,188	24,624
	Basement (including car parks)						94,690	78,592	—	77,293
12	The Bund (融信 • 外灘)	35,264	Nov. 2016	51%	—	—	155,423	—	—	—
	Residential						116,231	—	—	—
	SOHO						6,462	—	—	—
	Commercial						3,002	—	—	—
	Basement (including car parks)						29,728	—	—	—
13	Hot Spring City (融匯 • 溫泉城)	1,018,836	Aug. 2014	50%	—	—	464,172	406,721	885,939	—
	Residential						223,500	201,150	219,995	—
	SOHO						69,695	62,725	121,107	—
	Hotel						49,414	49,414	332,253	—
	Commercial						—	—	58,600	—
	Ancillary						4,774	—	5,213	—
	Basement (including car parks)						116,790	93,432	148,772	—
14	Beyond City (世歐彼岸城) ⁽⁴⁾	152,995	Jun. 2007	50%	302,616	302,615	—	—	—	—
	Residential				271,376	271,376				
	Commercial				7,822	7,822				
	Basement (including car parks)				23,417	23,417				
15	Riverside City (世歐上江城) ⁽⁴⁾	82,375	Jan. 2010	50%	236,983	236,983	—	—	—	—
	Residential				201,116	201,116				
	Commercial				5,118	5,118				
	Basement (including car parks)				30,749	30,749				

					COMPLETED		UNDER DEVELOPMENT		HELD FOR FUTURE DEVELOPMENT	
	Project	Site area	Actual/ Estimated presale commencement date	Group's beneficial interest	GFA completed	Saleable GFA	Planned GFA under development	Planned saleable GFA	Estimated GFA	Estimated GFA without land use rights certificates
		(sq. m.)		(%)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)
16	Lan Hill (世歐潤山) ⁽⁴⁾	48,313	Aug. 2011	50%	168,758	148,939	—	—	—	—
	Residential				120,130	118,979				
	Commercial				4,091	4,091				
	Ancillary				3,717	—				
	Basement (including car parks)				40,821	25,869				
17	Show Kingdom (世歐王莊) ⁽⁴⁾	250,709	Mar. 2013	50%	1,610,219	1,247,194	—	—	—	—
	Residential				987,020	984,174				
	Resettlement property ⁽¹⁾				564,394	564,394				
	Commercial				143,288	25,605				
	Resettlement property ⁽¹⁾				500	500				
	Office				75,306	75,306				
	Ancillary				49,935	—				
	Basement (including car parks)				354,669	162,108				
	Subtotal	2,803,633			4,166,114	3,232,482	1,681,493	1,344,701	1,179,245	877,194
	Attributable subtotal ⁽³⁾				2,822,353	2,094,359	1,266,636	1,048,642	736,276	877,194
XIAMEN										
18	Ocean City (融信 • 海上城)	151,344	Sept. 2013	100%	247,487	240,178	183,168	117,823	—	—
	Commercial				4,336	4,335	—	—	—	—
	Hotel				—	—	61,612	—	—	—
	SOHO				216,081	209,830	36,498	35,446	—	—
	Ancillary				526	—	1,000	—	—	—
	Basement (including car parks)				26,545	26,014	84,058	82,377	—	—
19	Xiamen Bowan (廈門鉅灣)	39,715	Mar. 2017	100%	—	—	—	—	—	170,914
	Residential									141,652
	Commercial									680
	Basement (including car parks)									28,582
	Subtotal	191,059			247,487	240,178	183,168	117,823	—	170,914
	Attributable subtotal ⁽³⁾				247,487	240,178	183,168	117,823	—	170,914
ZHANGZHOU										
20	Lan Garden (融信 • 潤園)	56,766	May 2012	100%	322,291	292,417	—	—	—	—
	Residential				252,095	249,657				
	Ancillary				11,324	—				
	Basement (including car parks)				58,872	42,760				
21	Festival City (融信 • 觀山海)	94,190	Sept. 2014	100% ⁽²⁾	—	—	277,389	270,636	—	—
	Residential						202,592	200,567		
	Commercial						6,791	6,723		
	Ancillary						1,410	—		
	Basement (including car parks)						66,595	63,347		
22	Future City (融信 • 未來城)	41,645	Mar. 2015	100%	—	—	160,438	146,727	—	—
	Residential						109,824	105,420		
	Resettlement property ⁽¹⁾						5,014	5,014		
	Commercial						4,957	4,957		
	Ancillary						3,777	—		
	Basement (including car parks)						36,866	31,336		
23	College City (學院名築)	71,218	Sept. 2015	100%	—	—	181,033	173,027	—	—
	Residential						135,149	132,446		
	Commercial						3,150	3,049		
	Ancillary						—	—		
	Basement (including car parks)						4,436	—		
							38,298	37,532		
24	Zhangzhou Harbor B8 Lot (漳州港B8)	69,988	Jan. 2016	100% ⁽²⁾	—	—	138,586	120,557	—	—
	Residential						97,849	95,892		
	Commercial						1,205	1,181		
	Ancillary						—	—		
	Basement (including car parks)						8,220	—		
	Subtotal	333,806			322,291	292,417	757,447	710,948	—	—
	Attributable subtotal ⁽³⁾				322,291	292,417	757,447	710,948	—	—
SHANGHAI										
25	Imperial Villa (融信 • 鉅灣)	121,377	July 2014	51%	64,812	61,296	138,960	116,511	—	—
	Residential				64,812	61,296	57,654	54,526	—	—
	Resettlement property ⁽¹⁾				—	—	6,266	6,266	—	—
	Commercial				—	—	1,101	1,101	—	—
	Ancillary				—	—	2,149	—	—	—
	Basement (including car parks)				—	—	78,056	60,884	—	—
26	Platinum (融信 • 鉅爵)	21,196	May 2017	51%	—	—	—	—	101,804	—
	Residential								43,895	
	Commercial								19,691	
	Basement (including car parks)								38,218	
27	Shanghai Huacao Lot I (閔行區華漕鎮MHPO-1402單元41-02地塊) ⁽⁵⁾	26,360	Jun. 2015	50%	—	—	161,946	152,418	—	—
	Commercial				—	—	21,012	20,592	—	—
	Office				—	—	110,611	108,399	—	—
	Ancillary				—	—	1,039	—	—	—
	Basement (including car parks)				—	—	29,284	23,427	—	—

	Project	Site area (sq. m.)	Actual/ Estimated presale commencement date	Group's beneficial interest (%)	COMPLETED		UNDER DEVELOPMENT		HELD FOR FUTURE DEVELOPMENT	
					GFA completed (sq. m.)	Saleable GFA (sq. m.)	Planned GFA under development (sq. m.)	Planned saleable GFA (sq. m.)	Estimated GFA (sq. m.)	Estimated GFA without land use rights certificates (sq. m.)
28	Shanghai Huacao Lot II (閔行區華漕鎮MHPO-1402單元35-01地塊) ⁽⁵⁾	13,456	Jun. 2016	50%	—	—	—	—	48,227	—
	Office								33,639	
	Ancillary								613	
	Basement (including car parks)								13,975	
29	Shanghai Huacao Lot III (閔行區華漕鎮MHPO-1402單元36-01地塊) ⁽⁵⁾	10,995	Oct. 2016	25%	—	—	—	—	37,573	—
	Office								27,057	
	Ancillary								807	
	Basement (including car parks)								9,708	
30	Shanghai Huacao Lot IV (閔行區華漕鎮MHPO-1402單元42-01地塊) ⁽⁵⁾	30,922	Jun. 2016	50%	—	—	—	—	106,744	—
	Commercial								8,940	
	Office								68,308	
	Ancillary								1,965	
	Basement (including car parks)								27,530	
	Subtotal	224,305			64,812	61,296	300,906	268,929	294,347	—
	Attributable subtotal⁽³⁾				33,054	31,261	151,843	135,629	138,799	—
	HANGZHOU									
31	Blue Peacock Phase I (杭州藍孔雀一期)	28,215	Oct. 2014	51%	—	—	124,177	112,096	—	—
	Residential						81,755	81,755		
	Commercial						5,024	4,923		
	Ancillary						3,507	—		
	Basement (including car parks)						33,890	25,418		
32	Blue Peacock Phase II (杭州藍孔雀二期)	56,521	May 2015	51%	—	—	211,815	195,302	—	—
	Residential						139,986	137,186		
	Commercial						11,827	11,671		
	Ancillary						2,843	—		
	Basement (including car parks)						57,160	46,445		
33	Hangzhou Mansion (杭州公館)	45,574	Aug. 2015	100%	—	—	228,842	183,921	—	—
	Residential						129,189	126,605		
	<i>Resettlement property⁽¹⁾</i>						16,013	—		
	Ancillary						7,219	—		
	Basement (including car parks)						76,421	57,316		
34	Lan Sky (融信 • 瀾天)	71,488	Mar. 2017	51%	—	—	—	—	202,892	—
	Residential								137,857	
	Commercial								15,890	
	Ancillary								5,153	
	Basement (including car parks)								43,992	
35	Yongxing Capital (融信 • 永興首府)	44,307	Feb. 2017	26%	—	—	—	—	128,463	—
	Residential								105,277	
	Ancillary								1,060	
	Basement (including car parks)								22,126	
36	Xiaoshan Residence (融信 • 蕭山公館)	41,642	May. 2017	75%	—	—	—	—	—	114,336
	Residential									91,621
	Ancillary									2,490
	Basement (including car parks)									20,225
37	Jingkai Project (經開地塊)	42,709	Jul. 2017	26%	—	—	—	—	—	129,871
	Residential									104,637
	Ancillary									2,135
	Basement (including car parks)									23,098
38	Yinhe Primary School Project (銀河小學地塊)	43,686	Jul. 2017	51%	—	—	—	—	—	157,007
	Residential									117,952
	Commercial									10,506
	Ancillary									2,600
	Basement (including car parks)									25,949
39	Qinglong Project (慶隆地塊)	27,845	Jul. 2017	51%	—	—	—	—	—	90,718
	Residential									74,515
	Ancillary									1,300
	Basement (including car parks)									14,903
	Subtotal	401,987			—	—	564,834	491,319	331,355	491,933
	Attributable subtotal⁽³⁾				—	—	400,198	340,694	136,888	245,859
	Total	3,954,791			4,800,704	3,826,373	3,487,848	2,933,720	1,804,948	1,540,041
	Attributable total⁽³⁾				3,425,185	2,658,215	2,759,291	2,353,737	1,011,963	1,293,967

Notes:

- (1) See “—Construction of Resettlement Housing” below. We recognize revenue from resettlement property construction under “revenue from construction contracts,” and we do not carry the relevant properties on our balance sheet. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this offering memorandum.
- (2) A portion of our equity interest in this project was transferred in favor of trust companies or other financial institutions in relation to certain of our trust and other borrowings. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Trust and other borrowings” in this offering memorandum.
- (3) As weighted by the Group’s beneficial interest.
- (4) These projects were developed by Shiou Group. Shiou Group used to be a 50% owned joint ventures of the Group. In March 2016, Shiou Group became a 50% non-wholly owned subsidiaries of the Group due to a change in accounting treatment.
- (5) These projects were developed by Huacao Group. Huacao Group used to be a joint venture of the Group with Greenland Property Group Company Limited (“Greenland Group”) for certain property development projects in Huacao, Minhang District, Shanghai. In March 2016, Huacao Group became our subsidiary due to a change in accounting treatment.

Description of Projects

Fuzhou

(1) *Rongxin Super Star City Phase I* (融信 • 第一城一期)

Rongxin Super Star City Phase I is a residential and commercial property project located in Cangshan district (倉山區) of Fuzhou. Rongxin Super Star City Phase I was developed by Rongxin Fujian. We commenced development of this project in September 2004 and completed construction in October 2006. The project occupies an aggregate site area of approximately 49,787 sq.m.

(2) *Rongxin Super Star City Phase III* (融信 • 第一城三期)

Rongxin Super Star City Phase III is a residential and commercial property project located in Cangshan district of Fuzhou. Rongxin Super Star City Phase III was developed by Rongxin Fujian. We commenced development of this project in June 2006 and completed construction in April 2009. The project occupies an aggregate site area of approximately 41,802 sq.m.

(3) *Rongxin Spanish* (融信 • 西班牙)

Rongxin Spanish is a residential and commercial property project located in a prime location in Cangshan district of Fuzhou. Rongxin Spanish was developed by Rongxin Fujian. We commenced development of this project in September 2006 and completed construction in September 2009. The project occupies an aggregate site area of approximately 59,401 sq.m.

(4) *Broad View* (融信 • 寬域)

Broad View is a residential property project located in Cangshan district of Fuzhou. Broad View was developed by Rongxin Fujian. We commenced development of this project in April 2007 and completed construction in May 2010. The project occupies an aggregate site area of approximately 62,495 sq.m.

(5) *David City* (融信 • 大衛城)

David City is a residential and commercial property project located in a prime location in Cangshan district of Fuzhou adjacent to Jinshan Wetland Park. David City was developed by Rongxin Fujian. We commenced development of this project in September 2007 and completed construction in May 2013. The project occupies an aggregate site area of approximately 191,255 sq.m.

(6) **Lan County (融信 • 瀾郡)**

Lan County is a residential property project located in a prime location in Gulou district (鼓樓區) of Fuzhou. Lan County is developed by Fuzhou Investment. We commenced development of this project in March 2012 and completed construction in August 2014. Lan County was recognized as a Western Taiwan Straits Five Star Development (海西五星級樓盤) by Fujian Daily (福建日報) in 2012 and a Property of Excellent Quality in Fuzhou (福州品質好樓盤) by SouFun.com (搜房網) in 2013. The project occupies an aggregate site area of approximately 69,618 sq.m.

(7) **The White House (融信 • 白宮)**

The White House is a residential, hotel and commercial complex property project located in a prime location in Cangshan district of Fuzhou adjacent to the Wulong River. The White House is developed by Rongxin (Fuzhou) Property Co., Ltd. We commenced development of this project in September 2013 and expected to complete construction in August 2017. The White House was recognized as a China Real Estate Outstanding Brand Property Project (中國房地產優秀品牌項目) by China Real Estate Association (中國房地產協會), China Real Estate Research Association (中國房地產研究會) and China Real Estate Evaluation Center (中國房地產評測中心) in 2013. The project will occupy an aggregate site area of approximately 134,789 sq.m.

(8) **Pingtian David City (融信 • 平潭大衛城)**

Pingtian David City is a residential and commercial complex property project located in Pingtan Comprehensive Experimental Zone (平潭綜合實驗區) of Fuzhou. Pingtan David City is developed by Rongxin (Pingtan) Investment Development Co., Ltd. We commenced development of this project in August 2013 and expect to complete construction in November 2016. The project will occupy an aggregate site area of approximately 111,320 sq.m.

(9) **The Coast (融信 • 後海)**

The Coast is a residential and commercial property project located in a prime location in Jin'an district (晉安區) of Fuzhou. The Coast is developed by Rongxin (Fujian) Property Company Limited. We commenced development of this project in July 2014 and completed construction in September 2016. The project occupies an aggregate site area of approximately 49,959 sq.m.

(10) **The Twin Harbor City (融信 • 雙杭城)**

The Twin Harbor City is a residential, office and commercial complex property project. This project is located in Taijiang district (台江區) of Fuzhou. The Twin Harbor City is developed by Fuzhou Rongxin Shuanghang Investment Development Co., Ltd. We commenced development of this project in February 2015 and expect to complete construction in August 2018. The project will occupy an aggregate site area of approximately 259,519 sq.m.

(11) **The Long Island (融信 • 長島)**

The Long Island is a residential, office and commercial property project located in a prime location in Changle (長樂市), Fuzhou. The Long Island is developed by Changle Rongxin Investment Co., Ltd. We commenced development of this project in September 2015 and expect to complete construction in January 2018. The project will occupy an aggregate site area of approximately 185,196 sq.m.

(12) **The Bund (融信 • 外灘)**

The Bund is a residential, office and commercial property project located in a prime location in Pingtan Comprehensive Experimental Zone district of Fuzhou. The Bund was developed by Rongxin (Pingtan) Investment Development Co., Ltd. We commenced development of this project in May 2016 and expect to complete construction in November 2019. The project occupies an aggregate site area of approximately 35,264 sq.m.

(13) **Hot Spring City** (融滙 • 溫泉城)

Hot Spring City is a residential, office, hotel and commercial property project located in a prime location in Jin'an district of Fuzhou. Hot Spring City was developed by Fujian Ronghui Property Company Limited. We commenced development of this project in April 2014 and expect to complete construction in December 2020. The project occupies an aggregate site area of approximately 1,018,836 sq.m.

(14) **Beyond City** (世歐彼岸城)

Beyond City is a residential and commercial property project located in a prime location in Cangshan district of Fuzhou. Beyond City was developed by Fuzhou Shiou Property Development Co., Ltd. ("Shiou Property") and its subsidiaries (together, the "Shiou Group"). Shiou Property used to be a 50% owned joint venture of the Group. In March 2016, Shiou Property became a 50% non-wholly owned subsidiary of the Group due to a change in accounting treatment. We commenced development of this project in April 2007 and completed construction in May 2011. The project occupies an aggregate site area of approximately 152,995 sq.m.

(15) **Riverside City** (世歐上江城)

Riverside City is a residential and commercial property project located in a prime location in Cangshan district of Fuzhou. Riverside City was developed by Shiou Group. We commenced development of this project in January 2008 and completed construction in April 2013. The project occupies an aggregate site area of approximately 82,375 sq.m.

(16) **Lan Hill** (世歐瀾山)

Lan Hill is a residential and commercial property project located in a prime location in Jin'an district of Fuzhou. Lan Hill is developed by Shiou Group. We commenced development of this project in September 2010 and completed construction in February 2015. The project occupies an aggregate site area of approximately 48,313 sq.m.

(17) **Show Kingdom** (世歐王莊)

Show Kingdom is a residential, office and commercial property project located in a prime location in Jin'an district of Fuzhou. Show Kingdom is developed by Shiou Group. We commenced development of this project in May 2012 and completed construction in January 2016. The project occupies an aggregate site area of approximately 250,709 sq.m.

Xiamen

(18) **Ocean City** (融信 • 海上城)

Ocean City is a office, hotel and commercial property project located in a prime location in Haicang district (海滄區) of Xiamen adjacent to the Haicang Bridge which connects Haicang district and Xiamen island. Ocean City is developed by Rongxin (Xiamen) Property Development Co., Ltd. We commenced development of this project in January 2013 and expect to complete construction in December 2016. Ocean City was recognized as one of the Top 10 Model Commercial Property of China Real Estate Development Enterprises by China Real Estate Association (中國房地產協會), China Real Estate Research Association (中國房地產研究會) and China Real Estate Evaluation Center (中國房地產評測中心) in 2014. The project occupies an aggregate site area of approximately 151,344 sq.m.

(19) **Xiamen Bowan** (廈門鉸灣)

Xiamen Bowan is a residential and commercial property project located in a prime location in Tongan district of Xiamen. Xiamen Bowan was developed by Rongxin Xinlingyu (Xiamen) Property Development Co., Ltd. We commenced development of this project in November 2016 and expect to complete construction in June 2020. The project occupies an aggregate site area of approximately 39,715 sq.m.

Zhangzhou

(20) *Lan Garden* (融信 • 瀾園)

Lan Garden is a residential property project located in a prime location in Longwen district (龍文區) of Zhangzhou adjacent to the city's biggest lake, the Green Lake Eco Park. Lan Garden is developed by Rongxin (Zhangzhou) Property Co., Ltd. We commenced development of this project in April 2011 and completed construction in December 2015. Lan Garden was recognized as a Western Taiwan Straits Five Star Development (海西五星級樓盤) by Fujian Daily (福建日報) and a New City Landmark in China (中國城市新地標) by Policy Research Center of Ministry of Housing and Urban-Rural Construction (住房和城鄉建設部政策研究中心), China Index Academy (中國指數研究) and SouFun.com (搜房網) in 2012. The project occupies an aggregate site area of approximately 56,766 sq.m.

(21) *Festival City* (融信 • 觀山海)

Festival City is a residential and commercial property project located at the southern side of Nanbin Avenue and the western side of the 4th Zhaixi Road in Zhangzhou economic and technological development zone (漳州經濟技術開發區). Festival City is developed by Fujian Lanhu Property Development Co., Ltd. We commenced development of this project in February 2014 and expect to complete construction in November 2016. The project occupies an aggregate site area of approximately 94,190 sq.m.

(22) *Future City* (融信 • 未來城)

Future City is a residential and commercial property project located in a prime location in Longwen district of Zhangzhou. Future City is developed by Rongxin (Zhangzhou) Property Co., Ltd. We commenced development of this project in May 2014 and expect to complete construction in January 2017. The project occupies an aggregate site area of approximately 41,645 sq.m.

(23) *College City* (學院名築)

College City is a residential and commercial property project located in Zhangzhou Harbor facing Xiamen Island across the sea. College City is developed by Hemei Zhangzhou Property. We commenced development of this project in January 2015 and expect to complete construction in January 2018. The project occupies an aggregate site area of approximately 71,218 sq.m.

(24) *Zhangzhou Harbor B8 Lot* (漳州港B8)

Zhangzhou Harbor B8 Lot is a residential and commercial property project located in a prime location in Zhangzhou Harbor facing Xiamen island across the sea. Zhangzhou Harbor B8 Lot is developed by Hemei Zhangzhou Property. We commenced development of this project in October 2015 and expect to complete construction in December 2018. The project occupies an aggregate site area of approximately 69,988 sq.m.

Shanghai

(25) *Imperial Villa* (融信 • 鉅灣)

Imperial Villa is a residential and commercial property project located in Qingpu district (青浦區) of Shanghai. Imperial Villa is developed by Hemei (Shanghai) Property Development Co., Ltd. We commenced development of this project in March 2014 and expect to complete construction in December 2016. The project occupies an aggregate site area of approximately 121,377 sq.m.

(26) *Platinum* (融信 • 鉅爵)

Platinum is a residential and commercial property project located in a prime location in Qingpu district of Shanghai. Platinum was developed by Shanghai Kaiju Property Development Company Limited. We commenced development of this project in November 2016 and expect to complete construction in December 2018. The project occupies an aggregate site area of approximately 21,196 sq.m.

(27) *Shanghai Huacao Lot I* (閔行區華漕鎮,MHPO-1402單元41-02地塊)

Shanghai Huacao Lot I is an office property project located in a prime location in Minhang district (閔行區) of Shanghai. Shanghai Huacao Lot I is developed by Shanghai Kaiyu, the Huacao Joint Ventures. The Huacao Joint Ventures used to be the joint ventures of our Group with Greenland Property Group Company Limited for certain property development projects in Huacao, Minhang District of Shanghai. In March 2016, the Huacao Joint Ventures became the subsidiaries of the Group due to a change in accounting treatment. We commenced development of this project in March 2015 and completed construction in July 2016. The project occupies an aggregate site area of approximately 26,360 sq.m.

(28) *Shanghai Huacao Lot II* (閔行區華漕鎮,MHPO-1402單元35-01地塊)

Shanghai Huacao Lot II is an office property project located in a prime location in Minhang district of Shanghai. Shanghai Huacao Lot II is developed by Shanghai Kairi of the Huacao Joint Ventures. We expect to commence development of this project in February 2017 and expect to complete construction in December 2016. The project occupies an aggregate site area of approximately 13,456 sq.m.

(29) *Shanghai Huacao Lot III* (閔行區華漕鎮,MHPO-1402單元36-01地塊)

Shanghai Huacao Lot III is an office property project located in a prime location in Minhang district of Shanghai. Shanghai Huacao Lot III is developed by Shanghai Kaichong of the Huacao Joint Ventures. We expect to commence development of this project in February 2017 and expect to complete construction in May 2017. The project occupies an aggregate site area of approximately 10,995 sq.m.

(30) *Shanghai Huacao Lot IV*(閔行區華漕鎮,MHPO-1402單元42-01地塊)

Shanghai Huacao Lot IV is a commercial and office property project located in a prime location in Minhang district of Shanghai. Shanghai Huacao Lot IV is developed by Shanghai Kaichang of the Huacao Joint Ventures. We commenced development of this project in September 2016 and expect to complete construction in December 2016. The project occupies an aggregate site area of approximately 30,922 sq.m.

Hangzhou

(31) *Blue Peacock Phase I* (杭州•藍孔雀一期)

Blue Peacock Phase I is a residential and commercial property project located in a prime location in Gongshu district (拱墅區) of Hangzhou. Blue Peacock Phase I is developed by Hangzhou Kaizhu Rongxin Property Development Co., Ltd. We commenced development of this project in August 2014 and expect to complete construction in December 2016. Blue Peacock Phase I occupies an aggregate site area of approximately 28,215 sq.m.

(32) *Blue Peacock Phase II* (杭州•藍孔雀二期)

Blue Peacock Phase II is a residential and commercial property project adjacent to Blue Peacock Phase I. Blue Peacock Phase II is developed by Hangzhou Kaizhu Rongxin Property Development Co., Ltd. We commenced development of this project in March 2015 and expect to complete construction in March 2017. Blue Peacock Phase II occupies an aggregate site area of approximately 56,521 sq.m.

(33) *Hangzhou Mansion* (杭州公館)

Hangzhou Mansion is a residential property project located in a prime location in Xihu district (西湖區) of Hangzhou. Hangzhou Mansion is developed by Hangzhou Kaisheng. We commenced development of this project in May 2015 and expect to complete construction in June 2017. The project occupies an aggregate site area of approximately 45,574 sq.m.

(34) ***Lan Sky*** (融信 • 瀾天)

Lan Sky is a residential and commercial property project located in a prime location in Liangzhu district of Hangzhou. Lan Sky was developed by Hangzhou Kaize Property Development Company Limited. We commenced development of this project in November 2016 and expect to complete construction in December 2018. The project occupies an aggregate site area of approximately 71,488 sq.m.

(35) ***Yongxing Capital*** (融信 • 永興首府)

Yongxing Capital is a residential property project located in a prime location in Xiaoshan district of Hangzhou. Yongxing Capital was developed by Hangzhou Kairong Property Development Company Limited. We commenced development of this project in January 2017 and expect to complete construction in December 2018. The project occupies an aggregate site area of approximately 44,307 sq.m.

(36) ***Xiaoshan Residence*** (融信 • 蕭山公館)

Xiaoshan Residence is a residential property project located in a prime location in Xiaoshan district of Hangzhou. Xiaoshan Residence was developed by Hangzhou Kaixing Property Development Company Limited. We expect to commence development of this project in February 2017 and complete construction in March 2019. The project occupies an aggregate site area of approximately 41,642 sq.m.

(37) ***Jingkai Project*** (經開地塊)

Jingkai Project is a residential property project located in a prime location in Xiaoshan district of Hangzhou. Jingkai Project was developed by Hangzhou Rongxin Property Development Company Limited. We expect to commence development of this project in February 2017 and complete construction in June 2019. The project occupies an aggregate site area of approximately 42,709 sq.m.

(38) ***Yinhe Primary School Project*** (銀河小學地塊)

Yinhe Primary School Project is a residential and commercial property project located in a prime location in Xiaoshan district of Hangzhou. Yinhe Primary School Project was developed by Hangzhou Rongyue Property Development Company Limited. We expect to commence development of this project in March 2017 and complete construction in June 2019. The project occupies an aggregate site area of approximately 43,686 sq.m.

(39) ***Qinglong Project*** (慶隆地塊)

Qinglong Project is a residential property project located in a prime location in Gongshu district of Hangzhou. Platinum was developed by Hangzhou Rongyu Property Development Company Limited. We expect to commence development of this project in February 2017 and complete construction in June 2019. The project occupies an aggregate site area of approximately 27,845 sq.m.

Projects Held by Our Joint Ventures and Associated Company

The table below sets forth the details of our property development projects developed by our joint ventures and associated company as of June 30, 2016:

					COMPLETED		UNDER DEVELOPMENT		HELD FOR FUTURE DEVELOPMENT	
Project		Site area	Actual/ Estimated presale commencement date	Group's beneficial interest	GFA completed	Saleable GFA	Planned GFA under development	Planned saleable GFA	Estimated GFA	Estimated GFA without land use rights certificates
		(sq. m.)		(%)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)
By Joint Ventures										
FUZHOU										
1	West Coast (融信 • 陽光城西海岸)	124,827	Nov. 2013	50%	307,802	302,789	187,782	149,311	—	—
	Residential				173,072	173,072	67,407	66,752	—	—
	Commercial				4,405	4,405	29,316	27,541	—	—
	Office				59,170	58,561	—	—	—	—
	Ancillary				4,405	—	5,312	—	—	—
	Basement (including car parks)				66,751	66,751	85,747	55,019	—	—
ZHANGZHOU										
2	Imperial Land (一品江山)	94,291	Feb. 2015	50%	—	—	316,346	279,525	—	—
	Residential						229,366	217,855	—	—
	Resettlement property ⁽¹⁾						11,509	—	—	—
	Commercial						1,039	—	—	—
	Ancillary						5,628	—	—	—
	Basement (including car parks)						80,314	61,670	—	—
SHANGHAI										
3	French Legend (融信 • 法蘭西世家)	113,400	Oct. 2014	50%	78,301	74,316	96,562	59,496	—	—
	Residential				78,301	74,316	35,731	33,913	—	—
	Resettlement property ⁽¹⁾				—	—	5,804	5,804	—	—
	Ancillary				—	—	34,758	—	—	—
	Basement (including car parks)				—	—	26,073	25,583	—	—
4	Shanghai Xujing Project (徐涇鎮會展中心)	184,293	Mar. 2015	50%	19,150	17,874	807,816	755,342	—	—
	Commercial				3,333	2,701	138,461	112,218	—	—
	Hotel				—	—	101,279	99,375	—	—
	Office				15,817	15,173	318,148	305,203	—	—
	Ancillary				—	—	11,382	—	—	—
	Basement (including car parks)				—	—	238,546	238,546	—	—
	Total	516,811			405,253	394,979	1,408,507	1,243,674	—	—
	Attributable total ⁽²⁾				202,627	197,490	704,253	621,837	—	—
By Associated Company										
ZHANGZHOU										
1	Zhangzhou Wanke City Phase 1 (漳州萬科城階段1)	235,606	May 2014	20%	—	—	845,477	807,717	194,744	—
	Residential						597,403	570,697	138,479	—
	Resettlement property ⁽¹⁾						82,093	—	138,479	—
	Commercial						22,197	20,638	10,483	—
	Resettlement property ⁽¹⁾						5,537	5,537	10,483	—
	Ancillary						7,847	—	—	—
	Basement (including car parks)						218,030	216,381	45,782	—
	Total	235,606			—	—	845,477	807,717	194,744	—
	Attributable total ⁽²⁾				—	—	169,095	161,543	38,949	—

Note:

- (1) See the section headed “—Construction of Resettlement Housing” below. We recognize revenue from resettlement property construction under “revenue from construction contracts,” and we do not carry the relevant properties on our balance sheet.
- (2) As weighted by our Group's beneficial interest.

Description of Projects

By Joint Ventures

Fuzhou

(1) *West Coast* (融信 • 陽光城西海岸)

West Coast is a residential, office and commercial property project located in Minhou district (閩侯區) of Fuzhou. West Coast is developed by Liboshuntai Property. We commenced development of this project in June 2013 and completed construction in January 2016. The project occupies an aggregate site area of approximately 124,827 sq.m.

Zhangzhou

(2) *Imperial Land* (一品江山)

Imperial Land of the City is a residential and commercial property project located in a prime location in Longwen district of Zhangzhou. Imperial Land is developed by Hairong (Zhangzhou) Property Development Co., Ltd. We commenced development of this project in September 2014 and expect to complete construction in April 2017. The project occupies an aggregate site area of approximately 94,291 sq.m.

Shanghai

(3) *French Legend* (融信 • 法蘭西世家)

French Legend is a residential property project located in Songjiang district (松江區) of Shanghai. In November 2013, French Legend is developed by Shanghai Kaidai, the Huacao Joint Ventures. We commenced development of this project in July 2014 and completed construction in January 2016. The project occupies an aggregate site area of approximately 113,400 sq.m.

(4) *Shanghai Xujing Project* (徐涇鎮會展中心 3 地塊一期、二期、三期、四期)

Shanghai Xujing Project is a commercial, office, shopping mall and hotel property project located in a prime location in Qingpu district (青浦區) of Shanghai. Shanghai Xujing Project is developed by Shanghai Kaitai, the Huacao Joint Ventures. We commenced development of this project in November 2014 and expect to complete construction in August 2018. The project occupies an aggregate site area of approximately 184,293 sq.m.

By Associated Company

Zhangzhou

(1) *Zhangzhou Wanke City Phase 1* (漳州萬科城 漳州萬科城階段1)

Zhangzhou Wanke City is a residential and commercial property project located in a prime location in downtown of Zhangzhou. Zhangzhou Wanke City is developed by Zhangzhou City Wankebinjiang Property Co., Ltd. We commenced development of this project in May 2014 and expect to complete construction in June 2018. The project occupies an aggregate site area of approximately 235,606 sq.m.

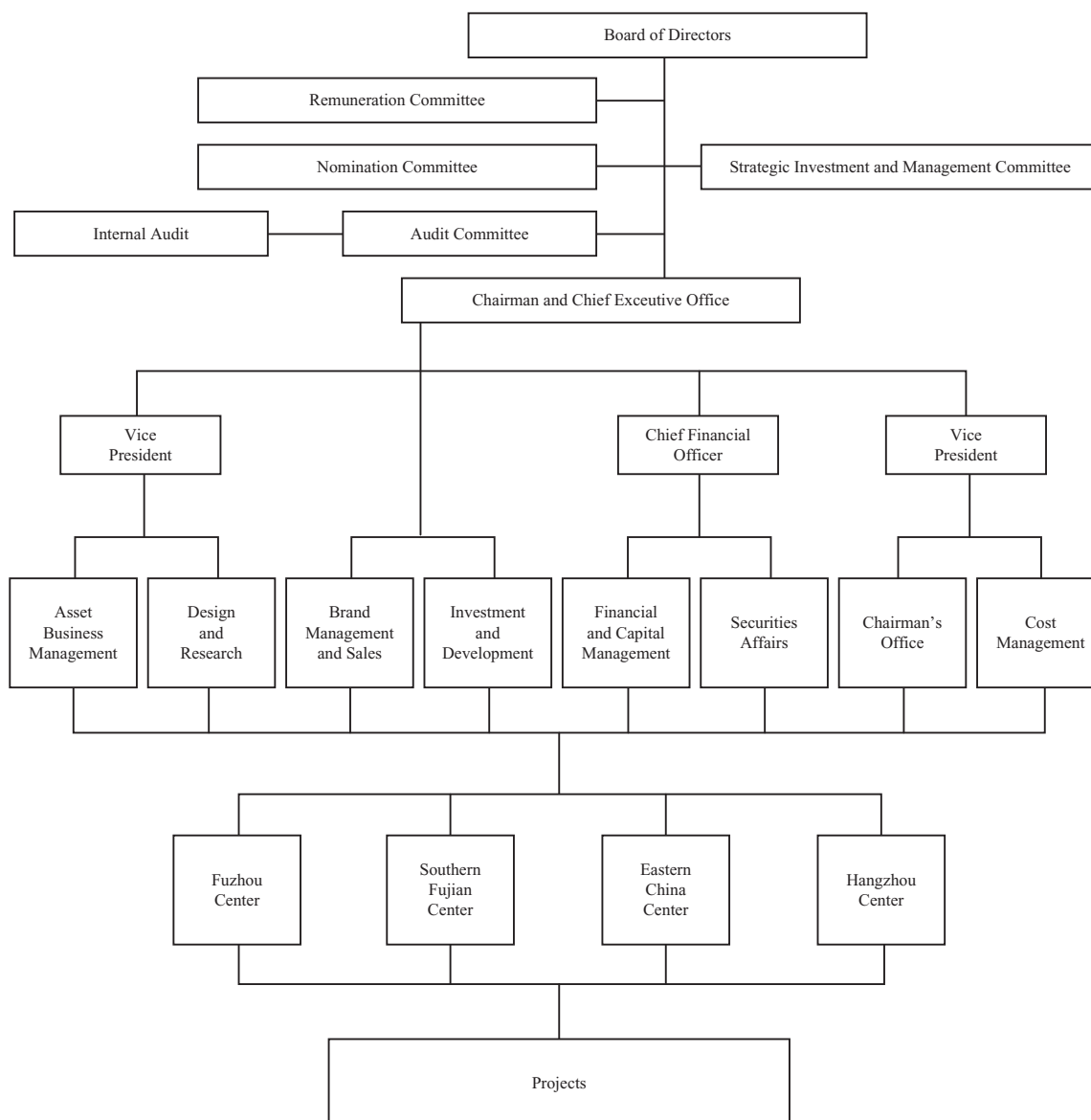
OUR PROPERTY DEVELOPMENT MANAGEMENT

Overview

We maintain a strategic investment and management committee and nine functional departments at our headquarters to manage our projects: asset business management; design and research; brand management and

sales; cost management; investment and development; securities affairs; financial and capital management and the chairman's office. In addition, we established three regional centers to manage our projects directly: the Fuzhou center for our projects in Fuzhou; the southern Fujian center for our projects in Xiamen and Zhangzhou and the eastern China center for our projects in Shanghai and Hangzhou.

We set out below our management structure:



The diagram below summarizes the major stages of our property development process.⁽¹⁾



Note:

(1) The required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. The sequence of specific planning and execution activities may also vary among projects due to the requirement of local laws and regulations.

Site Selection

We place a strong emphasis on selecting suitable locations for our projects. We focus on prime locations in regional hubs in the Western Taiwan Straits Economic Zone and first and second-tier cities in China.

We assess the appreciation potential of land primarily through investigating and evaluating the economic and demographic conditions of a city. Our site selection process is led by our dedicated site selection team consisting of key members of our senior management. Our asset business management center is responsible for identifying a potential project, conducting market research and performing preliminary screening. Thereafter, a detailed feasibility study will be submitted to our financial management center and our strategic investment and management committee chaired by Mr. Ou for review and ultimately approved by our Board.

We prudently carry out the site selection process in all projects with a strong focus on the quality. The factors we consider in assessing whether a site is suitable for development include, but are not limited to:

- scale and price of the land;
- prospects of the city's development;
- the potential for value appreciation;
- transportation infrastructure;
- the economic environment and the physical and geological characteristics of the site;
- historical features and natural resources;
- local zoning regulations; and
- the central and local governments' industry policy and development strategies.

Land Acquisition

In 2013, 2014 and 2015 and the six months ended June 30, 2016, we obtained our land reserves through the following methods:

- participation in government-organized tenders, auctions and listings-for-sale;
- cooperation with third-party property developers to jointly acquire and develop a project; and
- acquire equity interest from third-party property developers that have entered into land grant contracts with local governments.

We primarily acquire land through tenders, auctions and listings-for-sale from the PRC government in accordance with relevant PRC laws and regulations. For further details of the applicable PRC laws and regulations relating to land acquisition, see "Regulations—Sale of Real Estate."

We have also employed land acquisition strategies to acquire land at competitive costs by cooperation with leading third-party property developers through joint ventures. We believe that by sharing common business concepts and leveraging our respective strengths and experiences in project development, such cooperation can achieve mutual benefits for us as well as our joint venture partners.

In addition, we also acquire land through equity interest from third-party property developers that entered into land grant contracts with local governments.

Project Design

In order to provide our customers with distinctive designs and to achieve operations 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 Atkins, HBA and Belt Collins. Our design and research center is responsible for selecting such third-party partners, 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 design and research center supervises and provides the third-party architecture and design firms with directions and design criteria on which we aim to market our property development projects. In addition, our design and research center works 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. Upon receiving design schemes from the outside architecture and design firms, our design and research center is responsible for communicating with our construction contractors to ensure that the design elements are effected as we expect. Our design and research center monitors closely the work of the architecture and design firms to ensure that the project designs meet our specifications and works 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.

Construction and Procurement

Project Management

For each of our regional centers, we maintain a project management team consisting of approximately ten engineers or technicians. These employees are deployed on site and are responsible for communicating with our construction contractors and specialized contractors and performing quality inspection and control.

Appointment of Construction Contractors

We do not maintain a construction capacity and outsource construction works of all our property development projects to qualified third-party general construction contractors. Such construction works include, among other things, foundation digging, general construction and installation of equipment. The general contractors of our property developments are selected through an open tender process. The tender process is managed by the cost management center of our headquarters and the respective project companies. We conduct due diligence procedures on our potential contractors, such as inspecting their credentials and on-site supervision on their offices and property projects, and only those contractors who have passed such due diligence procedures are invited to participate in the tender. In selecting the winning bid, we typically consider the contractors' professional qualifications, technical capabilities, industry reputation, track record and prices tendered. We also involve the work of specialized contractors in specific areas, such as landscaping, glass wall panel installations, night lighting system installations and smart key entrance security control system. The specialized contractors are typically selected through a tender process and will typically enter into contracts with us. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we had engaged and maintained stable business relationships with a number of general construction contractors and specialized contractors.

We are not responsible for any labor issues of our contractors or accidents and injuries that may occur during construction. These risks are borne by the contractors, as provided in our contracts with them. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labor, social and safety regulations to minimize our risks and liabilities. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we were not involved in any dispute with our contractors nor were there any cases of material personal injury or death involving our contractors that had a material and adverse effect on our business.

Under typical agreements with our contractors, we make payments to contractors in stages according to the progress of construction works. The percentage of each stage payment varies from project to project according to the terms stipulated in the relevant contracts. Our contracts with contractors typically provide for the retention of a certain percentage (such as 3-5%) of the total payment as quality assurance. Depending on the type of construction works involved, such retention amount is released to the contractor upon the expiry of the relevant quality assurance period, which is generally one to five years.

Procurement

Our procurement activities fall into two categories: construction raw materials and equipment. Our construction contractors are responsible for procuring raw materials, notably steel and concrete. With respect to construction contracts of substantial value and of a long duration, we typically engage in discussions with our contractors and adjust construction fees if fluctuations in the market prices of such commodities exceed a certain threshold (typically 3% to 10%), and we, as a result, bear most of the risks associated with such commodity price movements. In 2013, 2014 and 2015 and the six months ended June 30, 2016, fluctuations in the price of construction raw materials did not exceed the relevant materiality threshold in the relevant contracts we had with our construction contractors and we therefore did not incur additional costs to compensate our construction contractors. Nonetheless, as we typically pre-sell our properties prior to their completion, we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. See the section headed “Risk Factors—Risks Relating to Our Business—Fluctuations in the price of construction materials and our construction contractors’ labor costs could affect our business and financial performance.”

We treat equipment procurement differently. We directly purchase equipment which we consider is important or is of high value, such as elevators. We do not normally maintain an inventory of such equipment and purchase these equipment only on an as-needed basis. We are generally agreeable for our contractors to procure what we believe to be less important equipment such as ventilation systems and control cabinets and reflect the purchase price in the contractor’s fees.

Quality Control

We place significant emphasis on quality control in the management of our projects. As of June 30, 2016, we had a team of 15 employees engaged in our stringent quality control program with an average of seven years of experience in the construction industry. The following are certain important measures or procedures we have adopted in furtherance of this goal:

- we ask our construction contractors to first perform its own internal control, followed by inspections of our project management team, reviews by our regional project quality control team and a quarterly assessment at the Group level; also, our headquarters conducts an internal audit at least annually to identify potential issues and promote measures and initiatives that have proven to be successful in certain projects;
- we perform routine inspections on raw materials when they are delivered and reject materials which are below standard or that do not comply with our specifications and return them to the contractors or suppliers;

- we retain qualified independent third-party professional firms as well as the quality supervision units of the relevant local government authorities to oversee and supervise the overall construction of our projects;
- we assign each project its own on-site project management team, which comprises qualified engineers led by our project managers to ensure quality and monitor the progress and workmanship of construction;
- we compile a set of standardized technical guidelines for construction management of each project; and
- we carry out quality control in accordance with the relevant laws, regulations, and other compulsory standards promulgated by the relevant PRC governmental authorities and other industry associations.

Sales and Marketing

Sales and Marketing Plan

The sales and marketing teams of our project companies study local market information and formulate pre-marketing, sales and pricing plans and procedures for approval by the sales and marketing center of our headquarters. We determine our per unit sales price with reference to the sales price of market comparables, market conditions and our development costs. Our sales and marketing personnel are incentivized by performance-based compensation packages. Throughout and subsequent to the project development and pre-sale period, we provide comprehensive assistance to our customers, coordinate internally to address queries raised by, and collect feedback from, our customers and potential customers for us to evaluate our products and devise modifications to designs of our future properties as appropriate to address any change in market demand.

As part of our sales strategy, we have established a membership club, Rongxin Club (融信會), for purchasers and prospective purchasers of our properties. Members as well as all second-time purchasers are entitled to discounts to the purchase price of their purchases of our properties and attend functions organized by Rongxin Club from time to time. All purchasers of our properties are eligible to join Rongxin Club free of charge. We charge a membership fee of RMB10,000 per person for prospective purchasers to join the Rongxin Club. When such a paid member purchases a property from us, the membership fee is refunded. Members are free to relinquish their membership, in which event membership fees paid will be refunded in full.

Our promotion channels primarily include advertising through newspapers, television, radio, internet, billboards, magazines and mobile phone text messages. We generally engage professional property sales agencies and advertising design agencies in China to assist us in our sales campaigns. We hold promotional and sales events at our property development project premises and invite potential customers to visit exhibit units. Customers of some of our property development projects are entitled to referral bonuses. We also establish charities such as Rongxin Charity Foundation (融信公益基金會) and organize promotional events such as Community Cultural Festival (鄰里文化節), which help increase public awareness of our “Rongxin 融信” brand.

Pre-sale

In line with market practice in the PRC, we normally commence pre-sales of our property development project before completion of the entire project. Our pre-sales typically comprise multiple phases in accordance with our marketing strategies and plans which are drawn up as early as the acquisition of the relevant land. Relevant PRC laws and regulations require property developers to fulfill certain conditions, including but not limited to payment of the land grant premium and obtaining the relevant land use rights certificate, construction works planning permit, construction works commencement permit and pre-sale permit before the commencement of pre-sales. See “Regulations—Sale of Real Estate” for further details of the laws and regulations governing pre-sale. We generally time the launch of our pre-sale campaigns according to the progress of construction, market conditions and any general holidays. Once a project is substantially sold out, we re-deploy our sales staff to other projects.

Our pre-sale contracts are prepared in accordance with applicable PRC laws and regulations. Purchasers are typically required to make a down-payment according to the schedule stipulated in the sales contract. The amount of down-payment to be paid and the circumstances in which deposits may be forfeited are stipulated in relevant pre-sales contracts. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sale with the relevant local authorities and provide warranties on the quality of properties we construct or sell to our customers for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts, being generally one to five years. See “Risk Factors—Risks Relating to Our Business—We are exposed to contractual and legal risks related to pre-sales, which could have a material adverse effect on our business, financial condition and result of operations” for further details regarding the associated risks.

Payment Arrangement

Our customers may choose to pay the purchase price of our properties by one lump sum payment or by mortgage financing. Customers choosing to settle the purchase price by one lump sum payment will be required to fully settle the purchase price shortly after the execution of the sales contract. Customers choosing to settle the purchase price of residential properties by mortgage financing shall, according to the terms stipulated in the relevant sales contract, normally pay a down-payment of no less than 30% of the purchase price upon the execution of the sales contract in accordance with the applicable PRC laws and regulations. Depending on the processing time required by mortgagee banks, the balance of the purchase prices will typically be paid by the mortgagee banks shortly after the date of execution of the sales contracts.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and, where required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the transfer of the building ownership certificate to the purchaser and the certificate is registered in favor of the bank. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan and have the right to claim such amount from the defaulting purchaser. We do not conduct credit checks on our customers but rely on credit checks conducted by relevant banks.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, our outstanding guarantees in respect of the mortgages for purchasers of our properties amounted to RMB2,678.1 million, RMB3,579.9 million, RMB6,412.9 million (US\$964.9 million) and RMB12,921.2 million (US\$1,944.2 million), respectively. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we encountered 15 incidents where we were jointly and severally liable for a purchaser’s default under his mortgage loan, for an aggregate amount of approximately RMB10.2 million. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contingent Liabilities” and “Risk Factors—Risks Relating to Our Business—We guarantee the mortgage loans provided by financial institutions to our customers and, consequently, we are liable to the mortgagees if our customers default.” In the case of a purchaser default, we are entitled to forfeit the deposits the purchaser has made with us and foreclose on the relevant property.

Delivery of Properties and After-Sale Customer Service

Delivery of Completed Properties

We endeavor to deliver completed properties to our customers on a timely basis in accordance with the terms of the sales contracts. We closely monitor the progress of construction work at our projects under development. If we fail to deliver the completed properties within the stipulated timeframe due to our default, we may be liable to pay a certain percentage of the purchase price as penalty in accordance with the terms of the relevant sales contracts. Under current PRC laws and regulations, we are required to obtain completion certificates before delivering properties to our customers. See the section headed “Regulations” for further information. After a property development project has passed the requisite completion and acceptance

inspections, we will notify our customers before the delivery date stipulated in the sale contracts, to arrange the delivery procedures. Our customers will then come to our designated locations to conduct the delivery procedure with us. We may also assist our customers to obtain the individual building ownership certificates for our properties at our customers' expense. We may also be liable to compensate our customers for any delay in the delivery of properties. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we did not experience any significant delays in the completion of our property development projects or delivery of relevant title documents after sale in 2013, 2014 and 2015 and the six months ended June 30, 2016.

After-sale Services

Our sales and marketing department is responsible for our after-sales customer services. Our customer service personnel provide after-sales services such as assisting customers to obtain building ownership certificates and handling customers' complaints. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we were not aware of any material customers' complaints or product liability claims. Our customers may also participate in our activities and obtain first-handed information regarding our new property development projects. We also conduct customer satisfaction surveys annually through independent third-party and professional firms.

CONSTRUCTION OF RESETTLEMENT HOUSING

Background

In 2013, 2014 and 2015 and the six months ended June 30, 2016, in connection with our development of Lan County, The Coast and certain other projects, as specified in the relevant land grant contracts or related agreements, we (for convenience, references to "we" under this heading "—Construction of Resettlement Housing" include certain of our joint ventures and an associated company, where applicable, unless otherwise required by context) cooperated or agreed to cooperate with the local governments in constructing resettlement housing units adjacent to our own developments. The construction of such resettlement housing was typically included by the relevant local governments as part of the package for the acquisition of related parcels of land for commercial development. Under such arrangement, we pay the relevant land premium and receive the land use rights certificates registered to our name with respect to the land parcels underlying the resettlement properties during the construction phase, but are obligated to deliver the properties upon completion back to the local government. As advised by FenXun Partners, our PRC legal advisors, since we only have the rights to occupy and develop the relevant land and must deliver the completed properties back to the local governments pursuant to contractual terms, we do not have the rights of disposal and therefore are not freely entitled to the economic interests of the land use rights. Effectively, we do not own the land use rights and only provide a service to the local government in conducting property development. Similar to the development of our own property projects, we rely on contractors to carry out various construction works.

Salient Contractual Terms

The key terms of such construction contracts typically include the location, number of units and GFA of resettlement housing to be constructed, the construction period and consideration. In some cases, the consideration is set at zero; in certain other cases, a pre-determined repurchase price is specified; in other cases still, tax or other preferential government allowances are provided in lieu of a cash price. The repurchase price is typically expressed as a fixed amount or a sum of land cost, construction cost and a modest profit margin. Such considerations are not set at market levels for the services rendered, and are not viewed by the local governments and developers isolated from the cost and benefit analysis of the related land parcels for commercial development.

Reason for Entering into Contracts

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our revenue from such construction contracts amounted to RMB53.5 million, RMB103.0 million, RMB87.9 million (US\$13.2 million,

RMB32.9 million and RMB92.7 million (US\$13.9 million), respectively. For the same periods, our gross profit margin from such construction contracts was 7.0%, 5.4%, 4.2%, 4.2% and 5.0%, respectively. However, since undertaking these construction contracts was a prerequisite to acquiring the relevant land parcels for property development, we would bid for the land parcels (and would be obliged to undertake such contracts if we succeed) if the economic return from such property development projects as a whole (taking the obligation to undertake such contracts into consideration) appeared attractive to us.

OUR HOTELS AND INVESTMENT PROPERTIES

We focus on property development projects at prime locations in first and second-tier cities, some of which have a combination of residential, hotel, commercial, retail and office properties. While we hold all of our residential properties for sale, we intend to hold our hotels and may hold some commercial, retail or office properties for investment purposes. As of June 30, 2016, we had three projects (excluding projects of our joint ventures or associated company) with investment properties (in Fuzhou and Xiamen), including two hotels under development with a total planned GFA of approximately 100,647.1 sq.m. which are expected to be completed by 2016 and 2017, respectively.

PROPERTY MANAGEMENT SERVICE

We rely on Rongxin (Fujian) Property Management Co., Ltd., a property management company in which our chairman and controlling shareholder, Mr. Ou Zonghong, holds a majority interest, to provide property management services to our customers. The services provided by this property management company include security, property maintenance, gardening and other ancillary services.

The property management company obtained National Property Management Enterprise First Class Qualification (國家物業服務企業一級資質) in 2012 and is a member of the Golden Key Property Alliance (金鑰匙物業聯盟), a nationwide property management alliance targeting high-end property projects with over 170 members across 32 cities in China, and is committed to providing all property owners with comprehensive and considerate professional property management services.

PROPERTIES USED BY US

As of June 30, 2016, properties which we occupied for our own use had a total GFA of approximately 1,724.7 sq.m.

SUPPLIERS AND CUSTOMERS

Suppliers

In 2013, 2014 and 2015 and the six months ended June 30, 2016, our five largest suppliers, primarily comprising construction companies which are our contractors and each an independent third party, accounted for 55.3%, 62.9%, 45.8% and 48.0% of our total purchases, respectively, and our single largest supplier accounted for 23.6%, 27.1%, 26.7% and 24.9% of our total costs of sales during the same periods, respectively. The length of our business relationship with our five largest suppliers ranges from three years to six years.

Customers

We primarily target customers from middle to upper-middle income households who are looking to either purchase their first homes or upgrade their living environment. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we also derived revenue from certain local governments in Fuzhou for our services under construction contracts.

COMPETITION

The PRC real estate industry is highly fragmented and competitive. As a real estate developer in China, we primarily compete with other top Chinese real estate developers focusing on the development of residential properties in the PRC. We compete on many fronts, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors. In recent years, an increasing number of property developers from the PRC and overseas have entered the property development markets in the cities where we have operations, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector. We believe major entry barriers into the PRC property development industry include a potential entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. We believe that the PRC real estate industry still has large growth potential. We believe that, with our solid experience in real estate development since 2003, our strategic focus on mid to high-end residential properties targeting middle to upper-middle income households in the Western Taiwan Straits Economic Zone and other first and second-tier cities in China, our reputable brand name and our effective management team, we are able to respond promptly and effectively to challenges in the PRC property market.

INTELLECTUAL PROPERTY

As of June 30, 2016, we owned 173 trademarks and eight domain names which were registered in the PRC and 11 trademarks which were registered in Hong Kong. We rely to a significant extent on our brand name, , in marketing our properties but our business is otherwise not materially dependent on any intellectual property rights. We believe that we did not suffer from any infringement of our intellectual property rights by any third parties or violate any intellectual property rights of third parties in 2013, 2014 and 2015 and the six months ended June 30, 2016.

INSURANCE

According to applicable PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. We typically require the construction contractors of our property development projects to purchase construction-in-progress insurance for our projects under development. We have not maintained insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group, as such is not required under the applicable PRC laws and regulations. There is a risk that we may incur uninsured losses, damage or liabilities. See “Risk Factors—Risks Relating to Our Business—We may not have adequate insurance coverage to cover our potential liability or losses, and as a result our business, results of operations and financial condition may be materially and adversely affected.”

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Environmental Matters

We are subject to a number of environmental and safety laws and regulations in the PRC including the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). See “Regulations—Development of Real Estate Projects—Environmental Protection” for details of these laws and regulations. Pursuant to these laws and regulations, we have engaged independent third-party environmental consultants to conduct environmental impact assessments at all of our construction projects, and such environmental impact assessments were submitted to relevant governmental authorities for approval before commencement of development. Upon completion of construction works, we are required to be examined by a third party designated by the relevant

governmental authorities and are subject to governmental authorities' acceptance. Only property development projects which have passed such examination and acceptance can be delivered.

Under our typical construction contracts, we require our contractors to strictly comply with relevant environmental and safety laws and regulations. We inspect the construction sites regularly and require our contractors to immediately rectify any default or non-compliance identified.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, we incurred RMB4.5 million, RMB2.7 million, RMB8.1 million (US\$1.2 million) and RMB0.18 million (US\$0.03 million), respectively, as cost for compliance with applicable environmental rules and regulations. As of June 30, 2016, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our property development projects. As of the date of this offering memorandum, we have obtained all required approvals in relation to the environmental impact reports, where applicable, for our projects under development.

Social, Health and Work Safety

In respect of social responsibilities, in particular health, work safety and social insurance, we have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations.

We maintain social welfare insurance for our full-time employees in the PRC, including pension insurance, medical insurance, personal injury insurance, unemployment insurance and maternity insurance, in accordance with relevant PRC laws and regulations.

Our employee's administrative measures (員工管理辦法) contain policies and procedures regarding work safety and occupational health issues. We provide our employees with annual medical checks and safety training, and our construction sites are equipped with safety equipments including gloves, boots and hats. Our chairman's office is responsible for recording and handling work accidents as well as maintaining health and work safety compliance records.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, we did not encounter any material safety accident, there were no claims for personal or property damages and no compensation was paid to employees in respect of claims for personal or property damages related to safety accidents.

EMPLOYEES

As of June 30, 2016, we had a total of 962 employees. Substantially all of our employees are located in the PRC. A breakdown of our employees by function as of June 30, 2016 is set forth below:

<u>Function</u>	<u>Number of employees</u>
Management	27
Finance	195
Administration	84
Sales and Customer Service	434
Construction Management/Quality Control	106
Design	45
Cost and Procurement	77
Investment	39
Others	45
Total	962

We believe that the successful implementation of our growth and business strategies rests on a team of experienced, motivated and well-trained managers and employees at all levels. We recruit employees from well-known universities in the PRC. As of June 30, 2016, approximately 83.2% of our employees had a master's degree, a bachelor's degree or an associate degree. We have implemented systematic, specialty-focused vocational training programs for our employees at different levels on a regular basis to meet different requirements and emphasize individual initiative and responsibility. We believe that these initiatives have contributed to increased employee productivity.

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 raises, bonuses and promotions. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance 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.

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 face significant liabilities as a result."

REGULATIONS

ESTABLISHMENT OF A REAL ESTATE DEVELOPER

General Regulations

The laws and regulations that permit the existence and investment in real estate development in China are the basis for our establishment and continued expansion in China.

According to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》, the “Urban Real Estate Law”) promulgated by the Standing Committee of NPC on July 5, 1994, becoming effective in January 1995, and amended in August 2007 and August 2009 respectively, real estate development refers to the act of constructing infrastructure and buildings on state-owned land, the land use rights of which have been legally acquired; and a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Administrative Regulations on Urban Real Estate Development and Operation (《城市房地產開發經營管理條例》, the “Development and Operation Regulations”) promulgated by the State Council on July 20, 1998 and revised on January 8, 2011, an enterprise which is to engage in the development of real estate shall satisfy the following requirements:

- its registered capital shall be RMB1 million or more; and
- it shall have four or more full-time professional real estate/construction technicians and two or more full-time accountants, each of whom shall hold the relevant qualification certificate.

According to the Development and Operation Regulations, the People’s Government of a province, autonomous region or municipality directly under the Central Government may, based on local circumstances, impose more stringent requirements than the preceding clauses over the registered capital and professional technicians of a real estate developer.

According to the Development and Operation Regulations, to establish a real estate developer, an application for registration shall be submitted to the administration for industry and commerce. The real estate developer shall also file its establishment with the competent authority of real estate development in the location of its registration within 30 days upon obtaining its business license. Establishment of a foreign-invested enterprise engaging in real estate development and sale shall also go through the relevant review and approval procedures in accordance with the PRC laws and regulations on foreign-invested enterprises.

The minimum proportion of capital fund in real estate development projects (excluding affordable housing projects) was raised to 35% or more under the Circular on Adjusting the Proportion of Capital Fund in Fixed Asset Investment Projects 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. In May 2009, the State Council issued the Circular on Adjusting the Proportion of Capital Fund in Fixed Asset Investment Projects (《關於調整固定資產投資項目資本金比例的通知》) to reduce such proportion to 20% for ordinary commodity housing projects (普通商品住房項目) and indemnificatory housing projects (保障性住房項目) and 30% for other real estate development projects.

Foreign-Invested Real Estate Developers

Under the Catalogue of Industries for Guiding Foreign Investment (2015 revised version) (《外商投資產業指導目錄 (2015年修訂) 》) promulgated by MOFCOM and NDRC on March 10, 2015 and becoming effective on April 10, 2015,

- the construction of golf courses and villas falls within the category of industries in which foreign investment is prohibited;
- the construction of large theme parks falls within the category of industries in which foreign investment is restricted; and
- other real estate development falls within the category of industries in which foreign investment is permitted.

Subject to approval by the relevant foreign investment administration authorities, a foreign investor intending to engage in the development and operation of real estates shall establish an equity joint venture, a cooperative joint venture or a wholly owned foreign enterprise in accordance with the PRC laws and administrative regulations on foreign-invested enterprises.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Capital (《關於進一步做好利用外資工作的若干意見》), which provides that projects with a total investment amount (including increase in capital) of less than US\$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) shall, other than those that are subject to the approval of relevant departments of the State Council under the requirements of the Catalogue of Investment Projects Approved by the Government (《政府核准的投資項目目錄》), be subject to the approval of relevant departments of local governments.

On May 4, 2010, NDRC issued the Circular on Properly Delegating the Authority to Approve Foreign-invested Projects (《關於做好外商投資項目下放核准權限工作的通知》). Under the circular, projects with a total investment amount (including increase in capital) of less than US\$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Catalogue of Industries for Guiding Foreign Investment and originally subject to the approval of NDRC shall, other than those that are subject to the approval of relevant departments of the State Council under the requirements of the Catalogue of Investment Projects Approved by the Government, be subject to the approval of the development and reform commissions at the provincial level. In particular, the authority to approve projects within the category of industries under restriction as set out in the Catalogue of Industries for Guiding Foreign Investment is not to be delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Review and Approval Authority for Foreign Investment (《關於下放外商投資審批權限有關問題的通知》). Under the circular, local competent authorities of commerce shall be responsible for the approval and management of the establishment and alteration of foreign-invested enterprises within the encouraged and permitted categories under the Catalogue of Industries for Guiding Foreign Investment with a total investment amount of US\$300 million or less and within the restricted category under the Catalogue of Industries for Guiding Foreign Investment with a total investment amount of US\$50 million or less; the local approval authorities shall be responsible for the approval and management of single increase of capital with an amount less than the above.

On July 11, 2006, Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Opinions on Regulating the Entry and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》). According to the opinions, a foreign investor shall meet the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing non-self-occupied properties in China shall, subject to the principle of commercial existence, apply for the establishment of a foreign-invested enterprise pursuant to the regulations on foreign investment in real estate, and may only conduct relevant operations within the approved business scope after obtaining approval from the relevant government authorities and completing the relevant registrations.
- If the total investment amount of a foreign-invested real estate developer exceeds or equals to US\$10 million, the registered capital shall not be less than 50% of the total investment amount. If the total investment amount is less than US\$10 million, the prevailing regulations on the registered capital shall apply.
- The establishment of a real estate enterprise shall be legally approved by the competent administration of commerce and the administration for industry and commerce, which will conduct the registration procedures and issue the Foreign-Invested Enterprise Approval Certificate and business license for a term of one year. After fully settling the land premium, the enterprise may apply for the certificate of state-owned land use right from the administration of land with the above certificates. With the

certificate of state-owned land use right, the enterprise may apply for the formal Foreign-Invested Enterprise Approval Certificate from the competent administration of commerce, and then apply for a business license with an operation term in line with that of the Foreign-Invested Enterprise Approval Certificate from the administration for industry and commerce, and apply for tax registration with the tax authorities.

- Transfer of projects of or equities in a foreign-invested real estate developer and the merger and acquisition of a domestic real estate developer by a foreign investor shall be approved by the competent administration of commerce in strict compliance with the relevant laws, regulations and policies. The investor shall submit: (a) a letter of guarantee pledging to comply with the state-owned land use right grant contract, the construction land planning permit and the construction project planning permit, etc.; (b) the certificate of state-owned land use right; (c) the proof of change of registration issued by the relevant competent construction and real estate administrations; and (d) the proof of tax payment issued by the relevant tax authorities.
- A foreign investor merging and acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring a domestic investor's equity interests in joint ventures, shall make proper arrangements for the real estate enterprise's employees and bank loans, and pay all transfer fee in a lump sum with its own capital. Foreign investors with unfavorable records are prohibited from carrying out such activities in China.

On August 14, 2006, MOFCOM issued the Circular Concerning the Implementation of the Opinions on Regulating the Entry and Administration of Foreign Capital in the Real Estate 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〉有關問題的通知》). The circular requires that the registered capital of a foreign-invested real estate enterprise ("FIREE") shall be not less than 50% of its total investment if its total investment exceeds US\$3 million and not less than 70% of its total investment if its total investment is US\$3 million or less. A foreign investor merging and acquiring a domestic real estate enterprise by way of equity transfer or other means shall make proper arrangements for the real estate enterprise's employees and bank loans, and pay all transfer fee in a lump sum with its own capital within 3 months after the date of issuance of business license for the foreign-invested enterprise.

On May 23, 2007, MOFCOM and SAFE jointly issued the Circular on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investments in the Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》, the "No. 50 Circular"), and on October 28, 2015, MOFCOM issued the Decision of Revising Certain Regulations and Normative Documents (《關於修改部分規章和規範性檔的決定》, the "Announcement 2015 No. 2"). According to the circular and the Announcement 2015 No. 2,

- The local competent authorities of commerce shall reinforce the approval and supervision of FIREEs, and strictly control foreign investors from investing in high-class real estate development projects.
- Foreign investors applying for the establishment of real estate enterprises shall first obtain land use rights and real estate or building ownership, or have entered into pre-contract purchase agreements with the relevant administrations of land, land developers or the owners of the real estate or building, otherwise the establishment will not be approved by approval authorities.
- Existing foreign-invested enterprises which intend to expand into real estate development or operation and existing FIREEs which intend to engage in the development and operation of new real estate projects shall go through the relevant procedures with approval authorities.
- The merger and acquisition of domestic real estate enterprises by means of round trip investment (including those with the same de facto controller) is strictly controlled. Foreign investors shall not avoid the examination and approval of foreign investment in real estates by changing the de facto controllers of domestic real estate enterprises.

- The Chinese or foreign investors in FIREEs are prohibited from reaching any term on fixed return or disguised fixed return in any form.
- A local approval authority shall promptly file with MOFCOM after approving the establishment of a foreign-invested real estate company. Local administrations of foreign exchange and designated foreign exchange banks shall not go through formalities for foreign exchange settlement and sale under capital accounts of the FIREEs which fail to file with MOFCOM.

The General Affairs Department of SAFE issued the Circular Concerning the Distribution of the List of the First Foreign-Invested Real Estate Projects Having Passed the Filing Procedures of 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》, “No. 130 Circular”) on July 10, 2007 to further restrict foreign investment in the real estate sector in China. According to the No. 130 Circular,

- SAFE or its branches shall not go through the formalities of foreign exchange registration (or alteration) or settlement and sale under the capital accounts for FIREEs (including new establishment and increase in capital) which were granted approval certificates by the competent authority of commerce but have not filed with MOFCOM on or after June 1, 2007; and
- SAFE or its branches shall not approve the foreign debt registration or settlement for FIREEs which were granted approval certificates by the competent authority of commerce and have filed to MOFCOM for record on or after June 1, 2007.

Although this notice has been repealed in May 2013, the restrictions and requirements remain in effect.

On June 18, 2008, MOFCOM issued the Circular on Properly Handling the Filing of Foreign Investment in the Real Estate Sector (《關於做好外商投資房地產備案工作的通知》, “No. 23 Circular”), which has become effective on July 1, 2008. According to the No. 23 Circular:

- MOFCOM entrusts provincial competent authorities of commerce to verify the filing materials of FIREEs;
- the establishment (including increase in capital) of a FIREE shall comply with the project company principle, and the business of the FIREE is limited to a single approved real estate project only.

On November 22, 2010, MOFCOM promulgated the Circular on Strengthening Administration of the Approval and Filing of Foreign Investment in the Real Estate Sector (《關於加強外商投資房地產審批備案管理的通知》), which provides that a real estate enterprise established in China with foreign capital is prohibited from arbitraging by purchasing and selling domestic properties which have been completed or which are under construction; local competent authorities of commerce shall not approve investment companies engaging in real estate development and operation, and shall strictly control the establishment of real estate enterprises in China by way of round-trip investment.

On June 24, 2014, MOFCOM and SAFE jointly promulgated the Circular on Improving the Filing Procedure of Foreign Investment in the Real Estate Sector (《關於改進外商投資房地產備案工作的通知》, “No. 340 Circular”), which became effective on August 1, 2014. According to the No. 340 Circular, the filing procedure of foreign investment in the real estate sector has been simplified. According to the No. 340 Circular, the provincial MOFCOM branch and other relevant authorities shall jointly verify the paper documents provided by FIREEs and the digital data in the filing system in accordance with relevant laws and regulations, and then MOFCOM shall make random inspections weekly after aforementioned verifications.

On March 30, 2015, SAFE promulgated the Notice on Reforming the Administrative Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《關於改革外商投資企業外匯資金結匯管理方式的通知》, the “SAFE Notice 19”), which takes effect on June 1, 2015. The notice provides that foreign-invested enterprises shall be allowed to settle their foreign exchange capitals on a discretionary basis. For

the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis. RMB funds derived from foreign exchange capital settlement of a foreign-invested enterprise shall be used within the business scope approved by the governmental authority and foreign-invested enterprises other than FIREEs shall not purchase non-self-occupied domestic properties with RMB funds derived from foreign exchange capital settlement. Except for the transfer of equity investment payments in their original currencies, a foreign-invested enterprise whose main business is investment is allowed to directly settle its foreign exchange capital or transfer the RMB funds under its account for foreign exchange settlement pending payment to the account of an invested enterprise according to the actual amount of investment, provided that the relevant domestic investment project is real and compliant.

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》), which amended certain policies on foreign investment real estate enterprises and property purchase by overseas organizations and individuals as stated in the Opinions on Regulating the Entry and Administration of Foreign Capital in the Real Estate Market. For example, branches and representative offices established by overseas organizations in China (except for enterprises engaging in real estate business operation upon approval) and foreign individuals studying or working in China are allowed to purchase property for self-use or self-occupation according to their actual needs; and the requirement on full payment of registered capital of the foreign investment real estate enterprises before applying for domestic or foreign loans or foreign exchange loan settlement is lifted.

On June 9, 2016, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》, the “SAFE Notice 16”), which became effective on June 9, 2015. The SAFE Notice 16 provides that domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises but excluding financial institutions) may all settle their external debts in foreign currencies on a discretionary basis. Domestic enterprises are currently permitted to settle 100% of their foreign exchange earnings under capital account on a discretionary basis. The SAFE may adjust the foregoing percentage as appropriate according to balance of payments situations. A domestic institution may use its foreign exchange earnings under capital account and the RMB funds obtained from the settlement thereof for current account expenditure within the scope of its business, as well as for capital account expenditure permitted by laws and regulations. Domestic enterprises other than FIREEs shall not construct or purchase non-self-occupied domestic properties with RMB funds derived from settlement.

On October 8, 2016, MOFCOM promulgated the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》, the “MOFCOM order 2016 No. 3”), which became effective on the same date. The MOFCOM order 2016 No. 3 provides that as long as the special market entry management measures prescribed by the State are not involved, the establishment and changes of foreign-invested enterprises can be achieved by record-filing. The MOFCOM order 2016 No. 3 provides procedures of record-filing.

QUALIFICATIONS OF A REAL ESTATE DEVELOPMENT ENTERPRISE

Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council on July 20, 1998 and revised on January 8, 2011, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

Under the Provisions on Administration of Qualification of Real Estate Developers (《房地產開發企業資質管理規定》), or the Provisions on Administration of Qualifications, promulgated by Ministry of Construction and implemented on March 29, 2000 and revised on May 4, 2015, a real estate development

enterprise must apply for registration of its qualification according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of properties without a qualification classification certificate for real estate development. Ministry of Construction oversees the qualifications of real estate developers with national operations, and local Ministry of Construction authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, the qualification of a real estate development enterprise is classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualifications should be examined and approved by corresponding authorities.

- Class 1 qualifications are subject to preliminary examination by Ministry of Construction authorities at the provincial level and the final approval of Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Class 2 or lower qualifications are regulated by Ministry of Construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a total GFA of less than 250,000 sq.m. subject to confirmation by Ministry of Construction authorities at the provincial level.

Under the relevant PRC laws and regulation, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employment, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer within any specific qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the competent authorities will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year since its issuance, and MOHURD authorities may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The real estate developer should apply for qualification of classification to the relevant authorities within one month before expiration of its provisional qualification certificate.

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be subject to annual inspection. The construction authority under the State Council or its entrusted institution is responsible for carrying out the annual inspection of the qualification of class 1 real estate developers. Procedures for annual inspection of developers of class 2 or lower qualifications shall be formulated by the construction authorities under the people's government of the relevant province, autonomous region or provincial-level municipality.

DEVELOPMENT OF REAL ESTATE PROJECTS

Land for Real Estate Development

Although all land in the PRC is owned by the state or is collectively owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes.

On April 12, 1988, NPC amended the Constitution, permitting the legal transfer of land use right. On December 29, 1988, the Standing Committee of NPC amended the "Land Administration Law of the PRC" (《中華人民共和國土地管理法》), permitting the legal transfer of land use right.

Under the Interim Regulations on Grant and Assignment of the State-owned Urban Land Use Right of the PRC (《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 "Interim Regulations on Grant and

Assignment”) promulgated by the State Council on May 19, 1990, China adopts a system of granting and assigning state-owned land use right. A land user shall pay a land premium to the State as the consideration for the grant of the land use right by the State for a specified period of time, during which the land user may assign, lease, mortgage or otherwise commercially exploit the land use right. Under the Urban Real Estate Law and the Interim Regulations on Grant and Assignment, the land administration authorities at city or county level shall enter into a land grant contract with the land user to grant land use right. The land user shall pay the land premium as stipulated by the land grant contract. After paying the land premium in full, the land user may register with the land administration authorities and obtain a land use right certificate evidencing the acquisition of land use right.

The Urban Real Estate Law and the Development and Operation Regulations provide that the land use right of land for real estate development must be obtained through grant, except for land use rights which may be obtained through premium-free allocation pursuant to the provisions of the PRC laws or the administrative regulations of the State Council.

On September 24, 2003, Ministry of Land and Resources promulgated the Circular on Strengthening Land Supply Management and Promoting the Sustainable Sound Development of the Real Estate Market (《關於加強土地供應管理促進房地產市場持續健康發展的通知》), which provides that land supply for high-class commodity housing shall be strictly controlled.

On August 31, 2006, the State Council promulgated the Circular on Strengthening Land Control (《關於加強土地調控有關問題的通知》). The circular requires to establish a system for uniformly publicizing the minimum rate standards of industrial land grant to uniformly formulate and publicize the minimum rate standards of industrial land grant in all localities. The minimum rate standards of industrial land grant shall not be less than the sum of the cost of obtaining the land, the preliminary cost of land development and the related expenses collected as required. The industrial land must be transferred by way of tender, auction or listing at a price not less than the minimum rates as publicized.

Under the Rules Regarding the Grant of State-Owned Land Use Right By Way of Tender, Auction and Listing (《招標拍賣掛牌出讓國有土地使用權規定》) which was promulgated by Ministry of Land and Resources on May 9, 2002 and implemented from July 1, 2002, land for operational purposes, such as business, tourism, entertainment and commercial residential housing, shall be granted through tender, auction or listing. On September 28, 2007, Ministry of Land and Resources promulgated the Rules Regarding the Grant of Right to Use State-Owned Construction Land By Way of Tender, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》), which were effective from November 1, 2007. The Rules further clarify the procedures for the grant of land use right by way of tender, auction and listing. Moreover, pursuant to the Rules, land for operational purposes such as industry (including warehouse land, but excluding mining land), business, tourism, entertainment and commercial residential housing, and a land parcel with two or more potential users must be granted by way of tender, auction or listing. The grantee of land use right may only have the land registered and obtain the land use right certificate after full settlement of the land premium as specified in the relevant land grant contract. No land use right certificate shall be issued before full settlement of the land premium or in proportion to the land premium paid.

On September 30, 2007, Ministry of Land and Resources issued the Circular on Implementation of the State Council’s Certain Opinions on Resolving Housing Difficulties of Urban Low Income Families By Further Strengthening Control of Land Supply (《關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) to further enhance the control of land supply. The circular provides that the annual total supply of the land to be developed for low-rent housing, affordable housing and ordinary commodity housing at low-to-medium price and of small-to-medium size must be not less than 70% of the total supply of land for residential housing; the land and resources authorities shall reasonably control the size of each land parcel, shorten the development cycle of the land (the development and construction period of each land parcel shall be no longer than three years in principle) and increase the total amount of land supply, in order to prevent

“land enclosure” in large scale by real estate developers. Real estate enterprises which fail to commence and complete construction according to the terms of the relevant land grant contract and rectify the situation within the specified period are prohibited from purchasing new land by tender, auction or listing.

On January 3, 2008, the State Council issued the Circular on Promoting the Economical and Intensive Use of Land (《關於促進節約集約用地的通知》), which provides that for land currently used for industrial purpose, under the precondition that it accords with the relevant planning and that the use of land is not changed, if the land utilization ratio and the plot ratio are increased, no additional land fee should be collected. For newly added land for industrial purpose, control indicators should be further enhanced and no additional land fee should be collected for any part that the GFA of a plant exceeds the control indicators for the plot ratio of such plant. The land user and land fee for land used for industrial and operational purposes must be determined by way of tender, auction or listing.

On May 11, 2009, Ministry of Land and Resources issued the Circular on Adjusting the Minimum Rate Standards for Industrial Land Grant (《關於調整工業用地出讓最低價標準實施政策的通知》).

According to the Circular, for industrial projects which fall within the category of priority industries of the provinces (districts/cities) with an intensive use of land, the base price for land grant may be determined at a level of not less than 70% of the price standard for the class of land where they locate. The base price for industrial land grant shall not be less than the sum of the cost of obtaining the land, the preliminary cost of land development and the related expenses collected as required.

On August 10, 2009, Ministry of Land and Resources and the Ministry of Supervision of the PRC promulgated the Circular on Further Implementing the Industrial Land Grant System (《關於進一步落實工業用地出讓制度的通知》). The circular provides that the industrial land shall be granted through tender, auction or listing. During the industrial land grant period, the grantee may increase the plot ratio without paying any additional land premium upon approval, provided that such increase conforms with the plan and that the use of land is not changed.

MOF, Ministry of Land and Resources, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC issued the Circular on Further Tightening Control over Income and Expenses of Land Grant (《關於進一步加強土地出讓收支管理的通知》) on November 18, 2009. According to the circular, the term of payment by installment for land premium as stipulated in the land grant contract shall not exceed one year in principle or, in the case of special projects, the payment shall be fully settled within two years as collectively decided by local land grant coordination and decision-making authorities. The down payment shall not be less than 50% of the land premium.

On March 8, 2010, Ministry of Land and Resources promulgated the Circular Concerning Issues on Strengthening Real Estate Land Supply and Supervision (《關於加強房地產用地供應和監管有關問題的通知》) to strictly regulate the grant of land for commodity housing. According to the circular,

- the supply of land for affordable housing, rebuilt shanty areas and small-to-medium sized self-occupied commodity housing shall not be less than 70% of the total land supply for residential housing construction. Land supply for large-sized residential housing construction shall be strictly controlled, and land supply for villas shall be suspended.
- the area of a single land parcel granted for commodity housing shall be strictly controlled.
- the minimum price of land grant shall not be less than 70% of the benchmark price of the class where the land parcel being granted is located, and the bidding deposit shall not be less than 20% of the minimum grant price.
- after a land grant deal is closed, a land grant contract shall be signed within 10 working days therefrom. The first installment, which is 50% of the grant price, shall be paid within one month after signing the

contract, while the remaining payment shall be made in time in accordance with the contract, which shall not be later than one year.

On September 21, 2010, Ministry of Land and Resources and MOHURD jointly released the Circular on Further Strengthening Administration and Control over Land Utilization and Construction of Real Estate (《關於進一步加強房地產用地和建設管理調控的通知》) to tighten the examination of qualifications of land bidders. The circular specifies that when a bidder takes part in the bidding, auction or listing of the granted land, the competent department of land and resources shall, in addition to requiring effective certificate of identity and payment of the tender (bid) deposit, require an undertaking letter stating that the tender (bid) deposit is not sourced from any bank loan, shareholders' borrowing, on-lending or fund-raising as well as a credit certificate issued by a commercial financial institution. Where a bidder is found to have violated the laws, regulations or contracts as follows, the competent department of land and resources shall forbid the bidder and his controlling shareholders from participating in land bidding activities: (1) committing crimes, such as forgery of instruments with an aim of obtaining the land by deception and illegal re-sale of the land; (2) conducting illegal activities, such as illegal transfer of land use right; (3) leaving the land idle for more than one year for developer's own reasons; (4) where the development and construction enterprise develops and utilizes the land in violation of the conditions stipulated in the grant contract. Besides, the grant of two or more bundled land parcels or uncleared lands is prohibited.

On December 19, 2010, Ministry of Land and Resources issued the Circular on Issues Concerning Strict Implementation of Real Estate Land Control Policies and Promotion of Healthy Development of the Land Market (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》). According to the circular, where a bidder and his controlling shareholders are found to act in violation of relevant laws, regulations and contracts, such as forging instruments with an aim of obtaining the land by deception, illegally reselling the land, illegally transferring land use right, leaving the land idle for more than one year for developer's own reason and developing and utilizing the land in violation of the conditions stipulated in grant contracts, they shall not pass the bidding qualification examination. Arbitrary adjustment of the plot ratio shall be stopped firmly. Where plot ratio adjustment is approved in line with relevant laws, the competent departments of land and resources at city or county level shall determine the land premium differences to be paid on the basis of the land value in terms of per unit floorage in the land market at the time when the adjustments are approved.

On May 13, 2011, Ministry of Land and Resources issued the Opinions on Maintaining and Improving the System for the Grant of Land by way of Tender, Auction and Listing (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》). According to the opinions, on the basis of determining the base price of land grant in accordance with the law, factors affecting the development and utilization of land, such as land price and time of payment, development and construction cycle, construction requirements, degree of economical and intensive use of land and performance of previous grant contracts by the enterprises, shall be taken as bid evaluation conditions. On March 16, 2012, Ministry of Land and Resources issued the Opinions on Promoting the System of the Economical and Intensive

Use of Land

On May 23, 2012, Ministry of Land and Resources and NDRC jointly issued the Catalogue of Restricted Use of Land (2012 Version) (《限制用地項目目錄(2012年本)》) and the Catalogue of Prohibited Use of Land (2012 Version) (《禁止用地項目目錄(2012年本)》). According to the above catalogues, the area of a parcel of land granted for residential project shall be no more than 7 hectares in small cities and designated towns, 14 hectares in medium cities or 20 hectares in large cities; the plot ratio shall not be lower than 1.0 (1.0 included); real estate development projects for villas and golf courses shall fall into the category of prohibited use of land.

In accordance with the Regulations for the Expropriation of and Compensation for Housing on State-Owned Land (《國有土地上房屋徵收與補償條例》) promulgated by the State Council and implemented in January 2011, with regard to the expropriation of the housing of entities and individuals on the State-owned land, the owners of the housing being expropriated shall be offered a fair compensation for the need of public interest.

Compensation offered by governments at municipal and county levels that make housing expropriation decision to parties with housing being expropriated includes: (i) compensation for the value of the housing being expropriated; (ii) compensation for relocation and temporary settlement caused by expropriation of housing; and (iii) compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

The amount of compensation for value of housing being expropriated shall not be less than market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated shall be appraised and determined by a real estate price appraisal institution with corresponding qualification according to the housing expropriation appraisal measures. A party that objects to the value of the housing being expropriated appraised and determined may apply to the real estate price appraisal institution for review of the appraisal. A party that objects to the review result may apply to the real estate price appraisal expert committee for verification.

The parties with housing being expropriated may choose monetary compensation, or may choose to exchange the property right of housing. If the parties with housing being expropriated choose to exchange the property right of housing, governments at municipal and county levels shall provide housing used for the exchange of property right, and calculate and settle the difference between the value of housing being expropriated and the value of housing used for the exchange of property right. If residential housing of an individual is expropriated due to renovation of old urban district and individual chooses to exchange for the property right of housing in the area being renovated, governments at municipal and county levels that make the housing expropriation decision shall provide the housing in the area being renovated or the nearby area.

Commencement of Development of a Real Estate Project

In accordance with the Measures for Administration of Examination and Approval of Construction Land (《建設用地審查報批管理辦法》) promulgated by Ministry of Land and Resources on March 2, 1999 and amended in November 2010, and the Measures for Administration of Preliminary Examination of Construction Project land (《建設項目用地預審管理辦法》) promulgated by Ministry of Land and Resources on July 25, 2001, and amended on November 1, 2004 and November 29, 2008 respectively and taking effect from January 1, 2009, the constructor or developer must make a preliminary application for the construction land to the relevant competent land administration authorities. After receiving the preliminary application, the competent land administration authorities shall carry out preliminary examination on matters related to the construction project in compliance with the overall land utilization plans and national land supply policy. The competent land administration authorities at city or county level will sign a land grant contract with the land user and issue an Approval Certificate for Construction Land to the constructor or developer.

Idle Land

According to the Urban Real Estate Law, those who obtain land use right for real estate development by grant must develop the land according to the purposes and within the development time frame as agreed under the land use right grant contract. Those who fail to commence development of the land within one year from the construction commencement date stipulated in the land grant contract may be charged an idle land fee of up to 20% of the land premium, and those who fail to commence development within two years may be deprived of land use right without compensation, except where the delay in commencement is due to force majeure, actions of governments or relevant government departments, or preliminary work necessary for the commencement of development.

According to the Regulations on the Disposal of Idle Land (《閒置土地處置辦法》) promulgated by Ministry of Land and Resources on April 26, 1999, amended on June 1, 2012 and taking effect from July 1, 2012, land with the following conditions is considered to be idle:

- the holder of the state-owned construction land use right fails to commence developing the state-owned construction land within one year after the construction commencement date as agreed or stated in the contract of compensated use of state-owned construction land or the land allocation decision;
- the area of the construction land developed upon commencement of development is less than 1/3 of the planned total area for development and construction, and the development and construction of the state-owned construction land has been suspended for more than one year;
- the amount invested in the land is less than 25% of the total investment, and the development and construction of the state-owned construction land has been suspended for more than one year; or
- fails to commence development and construction within one year from the date of actual delivery of land, if the construction commencement date is not agreed or stated or not clearly agreed or stated.

According to the above regulations, for idle land where construction and development has not commenced for one year, the competent department of land and resources at city or county level shall charge idle land fee at 20% of the cost of land grant or allocation. In the event that the construction and development has not commenced for two years, the competent department of land and resources at city or county level shall, upon the approval of the People's Government with approval authorities, issue the Decision on Recovering the Right to Use State-owned Construction Land to a holder of state-owned construction land use right, and recover the right to use the state-owned construction land without compensation. The above regulations also list the situations where the idleness of land is due to the reasons attributable to the governments as well as the ways of handling idle land under such situations.

Planning of a Real Estate Project

Under the Measure for Planning and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by Ministry of Construction on December 4, 1992, becoming effective from January 1, 1993 and revised on January 26, 2011, the grantee under a land grant contract, i.e. a real estate developer, shall apply for a construction land planning permit from the relevant competent authorities of urban planning and administration. The enterprise may apply for the certificate of land use right only after obtaining such permit.

Under the Law on Urban and Rural Planning of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of NPC on October 28, 2007, effective from January 1, 2008 and revised on April 24, 2015, a real estate developer shall apply for the construction work planning permit from the competent authorities of urban and rural planning under the People's Government at city or county level for project construction.

Construction of a Real Estate Project

According to the Measures for Administration of Construction Permit for Construction Projects (《建築工程施工許可管理辦法》) promulgated by MOHURD on June 25, 2014, becoming effective from October 25, 2014, a developer engaging in the construction and decoration of various kinds of houses and buildings as well as the ancillary facilities shall apply for a construction permit from the competent construction administration authorities at county level or above where the construction is located before the commencement of the construction.

In accordance with the Circular on Strengthening and Standardizing the Administration of Newly-commenced 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, construction projects shall meet certain conditions before commencement,

including complying with the national industrial policies, development and construction plans, land supply policies and market access criteria; completing the approval, ratification or filing procedures; complying with the urban and rural planning; obtaining the approval of the use of land; completing the approval of the environmental impact assessment; completing the energy-saving appraisal and examination for fixed asset investment projects; and acquiring the construction permit.

Completion of a Real Estate Project

According to the Development and Operation Regulations, the Provisions on Acceptance Inspection Upon Completion of House Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by MOHURD on December 2, 2013 and the Administrative Measures on the Filing of Acceptance Inspection upon Completion of House Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by Ministry of Construction on April 4, 2000 and revised by MOHURD on October 19, 2009, after the completion of real estate projects, the real estate developer must organize an acceptance inspection and, after passing the inspection, file with the relevant governmental authorities on such completion of acceptance inspection. A real estate development project shall not be delivered for use until and unless it has carried out and passed the acceptance inspection. Where a real estate project is developed in phases, acceptance inspection may be carried out by phase.

Construction Safety

Under relevant laws and regulations such as the Laws of Safe Production of the PRC (《中華人民共和國安全生產法》), promulgated by the Standing Committee of NPC in June 2002 and revised in August 2009 and August 2014, 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 work 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 PRC (《中華人民共和國建築法》) promulgated and revised by the Standing Committee of NPC in November 1997 and April 2011, respectively, general construction contractor shall take overall responsibility for the safety in the construction site. Each subcontractor is required to comply with the protective measures adopted by general contractor and to purchase insurance policies covering accident injury for its employees on site.

Civil Air Defense Property

Pursuant to the Law on National Defense of the PRC (《中華人民共和國國防法》) promulgated by NPC on March 14, 1997, as amended on August 27, 2009, national defense assets are owned by the state. Pursuant to the Law on Civil Air Defense of the PRC (《中華人民共和國人民防空法》), or the Civil Air Defense Law, promulgated by NPC on October 29, 1996, as amended on August 27, 2009, civil air defense is an integral part of national defense. The Civil Air Defense Law encourages the public to invest in the construction of civil air defense properties and investors in civil air defense properties are permitted to use (including lease) and manage civil air defense properties in time of peace and profit therefrom. However, such use may not impair their functions as civil air defense properties. The design, construction and quality of civil air defense properties must conform to the protection and quality standards established by the state. On November 1, 2001, the National Civil Air Defense Office issued the Administrative Measures for Developing and Using the Civil Air Defense Property at

Ordinary Times (《人民防空工程平時開發利用管理辦法》) and the Administrative Measures for Maintaining the Civil Air Defense Property (《人民防空工程維護管理辦法》), which specify how to use, manage and maintain civil air defense properties.

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 as a condition for the commercial bank intends to grant a development loan to the property development enterprise.

Environmental Protection

The laws and regulations governing the environmental protection for real estate developments in China include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer and approved by the relevant environmental regulatory authority, before the relevant authority will grant an approval for the commencement of construction of the real estate development. In addition, upon completion of the real estate development, the relevant environmental regulatory authority will also inspect the property project to ensure compliance with the applicable environmental protection standards and regulations before the property project may be delivered to the purchasers.

SALE OF REAL ESTATE

Under the Measures for Administration of Sale of Commodity Properties (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, sale of commodity houses may include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Properties (《城市商品房預售管理辦法》), or the Urban Pre-sale Regulation, promulgated by Ministry of Construction in November 1994, as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a presale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold. A commodity building may be sold before completion only if:

- the land premium has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a construction works planning permit and a construction permit have been properly obtained;
- 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 properly ascertained; and
- a pre-sale permit has been obtained through pre-sale registration. According to the Urban Real Estate Law and the Urban Pre-sale Regulation, for the pre-sale of a commodity property, the developer must sign a contract on the pre-sale of the commodity property with the purchaser. The developer must,

within 30 days of signing the contract, apply for registration and record of the contract for pre-sale of commodity property at the relevant departments of the county-level governments. Property administrative departments are required to use network information technology to gradually implement a web-based registration of pre-sale contracts.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (《關於進一步加強房地產市場監管完善商品住房預售制度的有關問題的通知》). Pursuant to the notice, without the pre-sale approval, the commodity properties are not permitted to be pre-sold and the real estate developers are not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

Pursuant to the Administration of sale of commodity properties (《商品房銷售管理辦法》) promulgated by Ministry of Construction on April 4, 2001 which became effective on June 1, 2001, commodity buildings may be put to post-completion sale and delivery after they have passed the completion examination and satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

A property developer shall not sell uncompleted commercial properties through after-sale lease guarantee or by any such means in covert forms. After-sale lease guarantee stipulated in the aforementioned regulatory measures refers to that a property developer sells commodity houses by making commitment to lease back or assist buyers in renting out commercial properties within a certain period after sale. A property developer may not sell commercial properties by means of cost-returned sale or any such means in disguised forms. The cost-returned sale in these measures refers to an arrangement under which a property developer sells commercial properties and refunds periodically to the purchaser certain portions of the sales proceeds.

In accordance with the Regulation of the Release of Real Estate Advertisement (《房地產廣告發佈規定》) promulgated on December 24, 2015, which became effective on February 1, 2016 by SAIC, the real estate advertisement shall not appear contents of financing or disguised financing or promises of appreciation or return on investment. Pursuant to the said regulation, a real estate advertisement shall not defraud or mislead the public. A real estate advertisement shall not contain geomancy, divination or other superstitious information, or give any promise to purchasers for a city permanent resident status or for school admission for his/her children.

On October 10, 2016, MOHURD issued the Notice on Further Regulating the Operation of Real Estate Enterprises to Keep the Order of Real Estate Market (《關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知》), which became effective on October 10, 2016. Pursuant to the said regulation, the relevant real estate authorities shall take effort to protect the order of real estate market and punish the unfair management actions of real estate enterprises, such as publish deceptive advertisements, hoard houses.

LOAN FOR REAL ESTATE

Under the Circular on Further Strengthening the Administration of Real Estate Credit (《關於進一步加強房地產信貸業務管理的通知》) issued by PBOC on June 5, 2003, the requirements for banks to provide loans for residential development, individual housing mortgage and individual commodity housing are tightened:

- Real estate development loans shall be granted to real estate developers which are qualified for real estate development, rank high in credibility and have no overdue payment for construction fees. Such loans shall be given in support of residential housing projects which are affordable by families with medium-to-

low income particularly, and shall be strictly restricted from projects involving building properties of large size and/or covering large area, such as luxurious commodity housing and villas. For real estate developers with high vacancy rate of commodity housing and high debt ratio, strict approval and close monitoring must be applied to their new real estate development loans.

- Commercial banks may not grant loans to real estate developers for the payment of land premium.
- Commercial banks shall not grant any kind of loans to projects without the certificate of land use right, the construction land planning permit, the construction project planning permit and the construction permit. Loans applied for by real estate developers shall only be granted by commercial banks in the name of real estate development loans, but not in the name of real estate development liquidity loans or other types of loans. Commercial banks may recover the non-real estate development loans that have been granted to the real estate developers, but are not allowed to grant new ones. To apply for bank loans, a real estate developer's self-owned funds (owner's equity) shall not be less than 30% of the total investment of the development project. The real estate loans granted by a commercial bank may only be used for the real estate projects in the region where the developer is located, and are prohibited to be used across regions.

In the Circular on Facilitating the Continuous Healthy Development of the Real Estate Market (《關於促進房地產市場持續健康發展的通知》) issued by the State Council on August 12, 2003, a series of measures were adopted by the government to control the real estate market, including, among others, strengthening the construction and management of affordable houses, increasing the supply of ordinary commodity housing and controlling the construction of high-class commodity housing. Besides, the government also staged a series of measures on developing residential housing credit, including strengthening efforts on housing provident fund collection and granting of loans, improving the guarantee mechanism of individual residential housing loans and strengthening the supervision over real estate loans.

Pursuant to the Guidance on Risk Management of Real Estate Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by CBRC on August 30, 2004, commercial banks shall not provide any loan in any form for projects without the certificate of land use right, the construction land planning permit, the construction project planning permit and the construction permit. For any real estate developer applying for real estate development loan, the proportion of capital fund to be invested in the development project shall be no less than 35%.

On September 27, 2007, PBOC and CBRC jointly issued the Circular on Strengthening the Administration of Commercial Real Estate Credit (《關於加強商業性房地產信貸管理的通知》) to further regulate the administration of commercial real estate credit. These measures include:

- prohibiting commercial banks from granting any kind of loans to projects with a proportion of capital fund (owners' equity) of less than 35%, or without the certificate of land use right, the construction land planning permit, the construction project planning permit and the construction permit;
- prohibiting commercial banks from granting loans to real estate developers solely for the payment of land premium.

According to the requirements under the Circular on Promoting Economical and Intensive Utilization of Land through Financing (《關於金融促進節約集約用地的通知》) issued by PBOC and CBRC on July 29, 2008, a real estate developer applying for land reserve loans from a financial institution by way of mortgage shall have the legitimate certificate of land use right. The maximum amount of mortgage loan offered by a financial institution shall not be more than 70% of the assessed value of the collateral and the loan term shall not exceed two years in principle. The circular also required to tighten the examination and approval of loans for municipal infrastructure and industrial land projects. No credit support shall, in any form, be given to the construction of any municipal infrastructure, ecological planting project or industrial project which does not meet the national standards, or for which no land use approval has been obtained from the land and resources authorities. A financial institution should give prioritized

financial support to projects which are to increase the land utilization rate and plot ratio of the existing industrial land as well as to projects which are to develop and utilize the spare, abandoned or idle land provided that such projects meet the planning requirements without changing the original purposes.

On October 28, 2008, the general office of CBRC promulgated the Notice on Strengthening Regulation of Real Estate and Securities Business of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》). Pursuant to this notice, trust company is strictly prohibited from loaning to real estate projects which have not acquired state-owned land use rights certificates, construction land planning permits, construction projects planning permits, and construction commencement permits (“four permits”), or indirectly loaning to such real estate projects through investment with additional commitment to repurchase, commercial housing group purchase. Trust loan application (including indirect loans through investment with additional commitment to repurchase, commercial housing pre-sales repurchase and etc.) shall be made by real estate development enterprise with not less than the secondary real estate development qualification, and the proportion of the capital fund shall be not less than 35% (except for economically affordable housing). Furthermore, trust company is prohibited to offer liquidity loans to real estate development enterprises (including indirectly offer through assets purchase with commitment to repurchase), or to offer loans to real estate development enterprises to pay land transfer price.

According to the Circular on Adjusting the Proportion of Capital Fund in Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) issued by the State Council on May 25, 2009, the proportion of capital fund for affordable housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and, for other properties, from 35% to 30%. Financial institutions shall decide on their own whether to issue loans to real estate developers based on the adjustments to the proportion of capital fund.

According to the Notice on Adjusting and Improving the System for Capital in Fixed Asset Investment Projects (《國務院關於調整和完善固定資產投資專案資本金制度的通知》) issued by the State Council on September 9, 2015, the minimal capital proportion for affordable housing projects and ordinary commodity housing projects remain to be 20%, whereas other real estate projects shall be adjusted from 30% to 25%.

On September 29, 2010, PBOC and CBRC jointly issued the Circular on Issues Concerning Improving Differentiated Housing Credit Policies (《關於完善差別化住房信貸政策有關問題的通知》), which provides that if a real estate developer has records of violating the laws and regulations, such as having idle land, changing the use and nature of land, delaying project commencement or completion and hoarding the real estates, all commercial banks shall stop granting loans or providing loan extension to such real estate developer for its new development projects.

According to Notice on Further Improving Differentiated Housing Credit Lending Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》) issued by PBOC and CBRC on September 24, 2015, in cities where there is no “property purchase control”, the minimum down payment ratio for a personal commercial housing loan borrowed by a resident household that purchases ordinary housing for the first time shall be adjusted to 25%.

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (《關於切實穩定住房價格的通知》) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction NDRC, MOF, Ministry of Land and Resources, PBOC, SAT and CBRC jointly issued the Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) with the following guidance:

- where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant

local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdiction.

- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy all the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden.

In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filled with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the General Office of the State Council issued the Opinions of Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices (《關於調整住房供應結構穩定住房價格的意見》). The regulations on the property credit of this are as follows:

- Strictly impose credit conditions on property development. In order to suppress property development enterprises from storing up land housing resources by use of bank loans, commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, for example, having a project capital less than 35%. For property development enterprises that have much idle land and vacant commodity properties, 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 property that has been idle for more than three years as collateral for loans; and
- From June 1, 2006, the proportion of initial payment of individual housing mortgage loans shall not be lower than 30%. However, considering the demands for housing by the medium and low-income populations, the purchase of self-used housing with loans with gross floor area no more than 90 square meters is still subject to the provisions of the initial payment of housing at 20%.

In December 2008, the State Council issued the Opinions on Promoting the Healthy Development of Real Estate Market (《關於促進房地產市場健康發展的若干意見》). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-occupied housing for the first-time by borrowing a mortgage loan must enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first time, if the GFA per person of that first housing is lower than the local

average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate must be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

On January 7, 2010, the State Council issued a Circular on Promoting the Stable and Sound Development of the Real Estate 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 guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

In April 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》), which increases (i) the amount of down payment to 30% of the property price for the purchase of the first property over 90 sq. m.; (ii) the amount of down payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (iii) the amount of down payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies.

MOHURD, PBOC and CBRC jointly released the Circular on Regulating the Recognition Standards of the Second House in Commercial Individual Housing Loans (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》) on May 26, 2010 to regulate the recognition standards of the second house for applicants of commercial housing loans. Under the circular, for commercial individual housing loans, the number of houses owned by a family shall be calculated based on the number of flats which are actually owned by the members (including the loan applicant and his/her spouse and minor children, hereinafter the same) of the family who plans to purchase a house. The circular also stipulates that house purchasers shall check the house registration records of the family via the house registration information system and provide written enquiry results. Loan applicants who cannot provide enquiry results shall provide written credit guarantee to prove the actual number of houses owned by his/her family.

On September 29, 2010, MOF, SAT and MOHURD jointly issued the Notice on Adjustments to Deed Tax and Individual Income Tax on Real Estate Transactions (《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》), according to which, the deed tax will be reduced to 50% on the purchase of an ordinary residence for a family (including the purchaser, his/her spouse and children under 18) purchasing their first residence that is also the only housing belonging to the family; in such a case, if the unit floor area is less than 90 sq.m., the deed tax will be at 1%. Purchaser of a residence within one year after his/her sale of former residence will not enjoy the same individual income tax exemption.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), according to which, the minimum down-payment has been raised to 30% of or all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third or additional residential property. For a mortgage on the second residential property, the down-payment must not be less than 50% of the purchase price and the interest rates must not be less than 1.1 times the base rate. All banks are prohibited from lending for the purposes of new development projects by property companies that have a record of speculating on idle land, changing the land use and nature, delaying development time, manipulating market prices or performing other non-compliant conducts.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Strengthening Regulation and Control of Real Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》) requiring, among other restrictive measures: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate (the “Specified Cities”), local residents (including their spouses and minor children) with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social security for a specified time period, are not permitted to purchase any (further) residential properties located in the Specified Cities.

The General Office of State Council promulgated the Circular on Further Promoting Real Estate Market Regulation (《關於繼續做好房地產市場調控工作的通知》) on February 26, 2013, introducing six policy measures to control the real estate market, including: (i) improving the accountability system for stabilization of house prices; (ii) strictly controlling over house purchase for speculation; (iii) increasing the supply of ordinary residential houses and the land supply for residential houses; (iv) accelerating the planning and construction of subsidized housing projects; (v) tightening the market regulations and forecast management; (vi) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

The highlights of the measure for “control over house purchase for speculation” under the notice are as follows:

- Continuous enforcement of stringent restrictions on commodity housing purchases;
- For cities with soaring house prices, the local branches of the PBOC may further increase the proportion of down payments and interest rates for second-home buyers according to the price control targets and policy requirements for newly-constructed commodity housing of the local governments;
- The taxation department and the housing and urban-rural development department shall work closely together to impose person income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data.

The notice also stipulated that if the number of small- and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their regulatory systems. For overpriced pre-sale commodity housing projects in breach of the guidance of the housing and urban-rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

On September 29, 2014, PBOC and CBRC jointly issued the Notice of the People’s Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》), which provides that as regards a household that borrows a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio of the loan shall be 30%, and the floor of the loan interest rate shall be 0.7 times the benchmark lending rate. Banking financial institutions shall determine the specifics in this regard on their own according to risk profiles. Where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied property. In cities where “property purchase control measures” have been

canceled or are not implemented, if a household that owns two or more existing properties for which the property purchase loans have been paid off applies for a new loan to purchase yet another new property, the relevant banking financial institution shall specifically determine the down payment ratio and the loan interest rate in a prudent manner based on the borrower's repayment capability, credit standing and other factors. A banking financial institution may, according to the local urbanization development planning, disburse housing loans to non-local residents who satisfy policy conditions.

According to the Notice on Matters Concerning Individual Housing Loan Policies (《關於個人住房貸款政策有關問題的通知》), promulgated by PBOC, MOHURD and CBRC on March 30, 2015 and effective on the same date, and the Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (《關於調整個人住房轉讓營業稅政策的通知》) promulgated by MOF and SAT on March 30, 2015 and effective on March 31, 2015 (collectively, the "330 New Policy"), where a household, which has already owned a home and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 40%. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower's credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first home, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price. In addition, where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax.

On September 30, 2015, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Further Improvement of Differential Mortgage Loan Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》), according to which, in the cities where no restrictions on house purchase are in force, when a household uses a commercial personal housing mortgage loan to purchase an ordinary residential property as the first home, the minimum down payment shall not be less than 25% of the house price.

On August 27, 2015, MOHURD, MOF and PBOC jointly issued the Notice on Adjustments to the Down Payment of a Housing Provident Fund Loan (《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》), which provides that resident households which already own one residential property with the mortgage loans paid off shall be entitled to a reduced down-payment requirement, from 30% to 20% of the total purchase price, when they re-apply for a housing provident fund loan to purchase a second home. The relevant authorities in Beijing, Shanghai, Guangzhou and Shenzhen shall have the discretion to decide the local down-payment requirement for second-home purchases with housing provident fund loans.

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

PROPERTY MANAGEMENT

According to the Regulations on Property Management (《物業管理條例》) issued by the State Council on June 8, 2003, effective from September 1, 2003 and amended on August 26, 2007, the State implements a qualification scheme in managing property service enterprises. Under the Measures for Administration of Qualifications of Property Service Enterprises (《物業服務企業資質管理辦法》) issued by Ministry of Construction on March 17, 2004, effective from May 1, 2004 and amended on November 26, 2007, a newly established property service enterprise shall, within 30 days from the date of receiving its business license, apply from the competent authorities of real estate of the People's Governments of municipalities directly under the Central Government and cities divided into districts where industrial and commercial registration was completed for a grading assessment. The departments of qualification examination and approval will check and issue the qualification certificate corresponding to their grades.

Under the Measures for Administration of Qualifications of Property Service Enterprises, the qualifications of property service enterprises shall be classified into class one, class two and class three. The competent construction authorities of the State Council shall be responsible for issuance and administration of the qualification certificates of class one property service enterprises. The competent construction authorities of the People's Governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificates of class two property service enterprises, and the competent departments of real estate of People's Governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificates of classes two and three property service enterprises. The competent departments of real estate of the People's Governments of cities divided into districts shall be responsible for the issuance and administration of the qualification certificates of class three property service enterprises.

Property service enterprises with class one qualification may undertake various property management projects. Property service enterprises with class two qualification may undertake property management business for residential projects of less than 300,000 sq.m. and non-residential projects of less than 80,000 sq.m. Property service enterprises with class three qualification may undertake property management business for residential projects of less than 200,000 sq.m. and non-residential projects of less than 50,000 sq.m.

Under the Interim Measures for Offer and Acceptance of Tender Management of Property

Management in Early Stages (《前期物業管理招標投標管理暫行辦法》), which was promulgated by Ministry of Construction on June 26, 2003 and became effective on September 1, 2003, prior to the selection and engagement of property management enterprises by owners of properties and the general meeting of owners of properties, the construction unit of residences and non-residences within the same management area shall select and engage a qualified property management enterprise through tender. For a project with less than three bidders or small scale residences, the qualified property management enterprise may be selected and engaged by way of an agreement, which is subject to the approval of the real estate administrative departments of the local government at the district or county level where the property is located. Such tenders typically include open tenders and invitational tenders. Where a property management enterprise is selected through a tender, the tender inviter shall complete the work of the tender before obtaining the pre-sale permits for commodity properties.

INTELLECTUAL PROPERTY RIGHTS

China has adopted legislations related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory party to the major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement concerning the International Registration of Marks and Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, the Patent Cooperation Treaty, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs").

Regulations on Trademarks

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated in August 1982 (amended on February 22, 1993, October 27, 2001 and August 30, 2013) and Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated on August 3, 2002 by the State Council and amended on April 29, 2014. These laws and regulations provide the basic legal framework for the regulations of trademarks in China. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under SAIC is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of 10 years. Six months prior to the expiration of the 10-year term, an applicant can renew the application and reapply for trademark protection.

Under the Trademark Law, any of the following acts may be regarded as an infringement of the exclusive right to use of a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark on the same or similar kind of commodities of the trademark registrant's without the authorization of the trademark registrant;
- sale of commodities infringing upon the exclusive right to use the registered trademark;
- counterfeiting or making, without authorization, representations of a registered trademark, or sale of such representation of a registered trademark; and
- otherwise infringing upon other person's exclusive right to use a registered trademark and cause damages.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities.

Trademark license agreements must be filed with the Trademark Office under the SAIC and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Regulations on Domain Names

The Measures for the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) were promulgated by the Ministry of Industry and Information Technology of the PRC on November 5, 2004 and became effective on December 20, 2004. These measures regulate the registration of domain names in Chinese with the Internet country code of “.cn.”

The Measures on Top Level Domain Names Dispute Resolution (《中國互聯網路資訊中心國家頂層網域名爭議解決辦法》) were promulgated by the China Internet Network Information Center on November 11, 2014 and became effective on the same date. These measures require domain name disputes to be submitted to institutions authorized by the China Internet Network Information Center for resolution.

LABOR PROTECTION AND SOCIAL INSURANCE

As our operation is mainly based in China, our PRC subsidiaries are required to comply with Chinese labor-related laws and regulations and provide compensation and other benefits to our employees, such as provision of vocational trainings and contribution to social insurance and housing provident funds.

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by NPC on July 5, 1994 and amended on August 27, 2009, an employer shall develop and improve its rules and regulations to

safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Law on Labor Contract of the PRC (《中華人民共和國勞動合同法》), which was promulgated by NPC on June 29, 2007 and amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》) (Order No.535 of the State Council), which was promulgated on September 18, 2008 and became effective since the same day, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Law on Labor Contract and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Pursuant to the Law on Labor Contract, labor contracts concluded prior to the enactment of the said law and subsisting within the validity period of the said law shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Law on Labor Contract law.

The Employment Promotion Law of the PRC (《中華人民共和國就業促進法》), which became effective on January 1, 2008 and amended on April 24, 2015, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees.

The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》) (No.35 of the President), which was promulgated on October 28, 2010 has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999 and amended on March 24, 2002, housing provident fund contributions paid up in deposit by an individual employee and housing provident fund contributions paid up in deposit by his or her employer shall belong to the individual employee.

MAJOR TAXES APPLICABLE TO REAL ESTATE DEVELOPERS

Since our revenue is mainly derived from our operations in China, we are subject to Chinese taxation regimes.

Corporate Income Tax

Prior to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, “new Enterprise Income Tax Law”) and its implementation rules that became effective on January 1, 2008, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the new income tax law, effective from January 1, 2008, a unified corporate income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises, with the exception of those enterprises that enjoyed preferential tax treatment according to laws and regulations before the new Corporate Income Tax Law took effect. However, there will be a five-year transition period for enterprises established before March 16, 2007 and enjoying a preferential income tax rate under the previous tax laws and administrative regulations.

Simultaneously, under the new EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions with “de facto management body” located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the new Corporate Income Tax Law, a “de facto management body” is defined as a body that has real and overall management control over the business, personnel, accounts and properties of an enterprise.

In addition, dividends paid by a PRC subsidiary to its foreign shareholder will be subject to a withholding tax at a rate of 10% unless such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. According to the tax treaty entered into between the Mainland China and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the Mainland China to its shareholders in Hong Kong will be subject to a withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the Mainland China enterprise.

SAT issued the Measures for Handling Corporate Income Tax on Real Estate Development and Operation (《房地產開發經營業務企業所得稅處理辦法》) on March 6, 2009, with retrospective effect from January 1, 2008. The circular provides that the gross profit margin for tax calculation of the sale of uncompleted development product by an enterprise shall be determined by the state taxation bureau and local taxation bureau of each province, autonomous region and municipality directly under the Central Government pursuant to the following stipulations. For development products located in the city proper and suburbs of cities in which the People’s Governments of provinces, autonomous regions, municipalities directly under the Central Government and cities specifically designated in the state plan are located, it shall not be lower than 15%; for development products located in the city proper and suburbs of prefectures or prefecture-level cities, it shall not be lower than 10%; and for development products located in other areas, it shall not be lower than 5%.

On May 12, 2010, SAT issued the Circular on Issues Concerning Conditions for Confirmation of the Completion of Real Estate Development Products (《關於房地產開發企業開發產品完工條件確認問題的通知》), which clarifies the conditions for confirming the completion of real estate development products. According to the circular, regardless of whether the project quality has passed the inspection and acceptance, or whether the completion filing and final accounting procedures have been completed, any real estate development product meeting one of the following conditions shall be deemed as a completed development product: (1) The enterprise starts to process the delivery procedure of the development product (including the check-in procedure); (2) The development product has started to be put into use. The developer shall timely settle the tax costs of the development product, and compute its taxable income of the year.

On January 1, 2008, SAT issued the SAT Circular No. 698, pursuant to which, except for the purchase and sale of equity through a public securities market, where a non-resident enterprise transfers the equity interests of

a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company (an “Indirect Transfer”), and the overseas holding company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority relating to the PRC resident enterprise. Using a “substance over form” approach, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such an Indirect Transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular No. 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income in respect of the transaction.

On February 3, 2015, the SAT issued the SAT Circular No. 7, which abolished certain provisions in SAT Circular No. 698 and provided more guidance on a number of issues in the SAT Circular No. 698.

If a non-resident enterprise indirectly transfers assets (including equity interests) in a PRC resident enterprise by entering into arrangements without reasonable commercial purposes but to evade EIT, the nature of this indirect transfer shall be reclassified and recognized as a direct transfer of assets of a PRC resident enterprise. Assets include (i) properties of an establishment or place in the PRC, (ii) real estate in the PRC or (iii) equity investment in a PRC resident enterprise and other assets directly held by such non-resident enterprise and for which the proceeds from the transfer of such assets shall be subject to EIT as specified by the PRC tax laws (collectively the “PRC Taxable Assets”). An indirect transfer of the PRC Taxable Assets refers to transactions with the same or similar substantive results as a direct transfer of the PRC Taxable Assets arising from a transfer by a non-resident enterprise of equity interest or other similar interest in an overseas enterprise (excluding the PRC resident enterprises registered overseas) that directly or indirectly holds the PRC Taxable Assets, including a change in overseas enterprise’s shareholders as a result of reorganization of such non-resident enterprise.

The relevant provisions in SAT Circular No. 7 are not applicable if the overall arrangement regarding the indirect transfer of the PRC Taxable Assets meets any of the following circumstances: (1) such non-resident enterprise obtains income from an indirect transfer of PRC Taxable Assets by acquiring and disposing of the equity interests of the same offshore listed company in a public market (“Public Market Safe Harbor”); or (2) such non-resident enterprise directly holds and transfers the PRC Taxable Assets in accordance with applicable tax treaty or arrangement which exempts the transfer from relevant enterprise income tax in the PRC.

If the above exemptions do not apply, transfers of shares by shareholders which are non-resident enterprises may be re-defined and recognized as a direct transfer of the PRC Taxable Assets if it is determined that such arrangements have no reasonable commercial purposes but to evade the EIT.

SAT Circular No. 7 provides that the overall circumstances of such transfer shall be considered and the following relevant factors shall all be analyzed in determining whether an indirect transfer of the PRC Taxable Assets has a reasonable commercial purpose, which should be determined on a case-by-case basis: (1) whether the main value of the equity of the overseas enterprise is, directly or indirectly, sourced from the PRC Taxable Assets; (2) whether the assets of the overseas enterprise are, directly or indirectly, mainly comprised of investments in the PRC, or whether its income is, directly or indirectly, mainly sourced from the PRC; (3) whether the actual functions performed and risks undertaken by the overseas enterprises and its subsidiaries which, directly or indirectly, hold the PRC Taxable Assets can prove the economic substance of the corporate structure; (4) the existence duration of the shareholders, business model and related organizational structure of the overseas enterprise; (5) the information regarding overseas income tax payment for the indirect transfer of the PRC Taxable Assets; (6) whether the indirect investment or indirect transfer of the PRC Taxable Assets by the equity transferor can be substituted by a direct investment or a direct transfer of the PRC Taxable Assets; (7) the information regarding the tax treaties or tax arrangements applicable to the income from indirect transfer of the PRC Taxable Assets; and (8) other relevant factors.

SAT Circular No. 7 also provides that, unless covered by the exemptions stipulated, an indirect transfer shall be directly deemed to have no reasonable commercial purpose if it meets all the following circumstances (“Deemed Negative Determination”): (1) 75% or more of the equity value of the overseas enterprise is, directly or indirectly, derived from the PRC Taxable Assets; (2) at any time within one year before the indirect transfer of the PRC Taxable Assets, 90% or more of the total assets of the overseas enterprise (not including cash) are, directly or indirectly, comprised of investments in PRC, or 90% or more of the overseas enterprise’s income in the year before the indirect transfer of the PRC Taxable Assets is, directly or indirectly, derived from PRC; (3) the overseas enterprise and its subsidiaries which, directly or indirectly, hold the PRC Taxable Assets are incorporated in a country (region) to meet the organizational form as required by law, but actually only perform limited functions and undertake limited risks which are not enough to substantiate their economic substance; and (4) the overseas income tax payable for the indirect transfer of the PRC Taxable Assets outside of the PRC is less than the possible tax burden in the PRC on the direct transfer of the PRC Taxable Assets in the PRC.

SAT Circular No. 7 also provides that an indirect transfer of the PRC Taxable Assets shall be deemed to have reasonable commercial purpose if it meets all the following conditions: (1) parties to the indirect transfer have one of the following equity holding relationships: (a) the transferor, directly or indirectly, holding over 80% equity interest in the transferee; (b) the transferee, directly or indirectly, holding over 80% equity interest in the transferor; or (c) over 80% equity interest in each of the transferee and the transferor is held, directly or indirectly, by the same party. To the extent that the offshore subject company derives directly and indirectly more than 50% of its value from real estate in the PRC, the equity shareholding threshold shall be 100%; for the aforesaid indirect shareholding, the equity interest shall be calculated by multiplying the equity shareholding percentage at each level; (2) The current indirect transfer does not result in a reduction in the PRC income tax payable on the proceeds from subsequent potential indirect transfers of the PRC Taxable Properties; and (3) The transferee pays the consideration for the indirect transfer solely in the form of its equity interest or the equity interest of entities with equity controlling holding relationship (excluding equity interest in publicly listed companies).

Business Tax

Under the Interim Regulations on Business Tax of the PRC (《中華人民共和國營業稅暫行條例》) promulgated by the State Council on December 13, 1993 and revised on November 10, 2008, effective from January 1, 2009, providing labor service in Mainland China is subject to business tax. Taxable services include sale of real estates in Mainland China. Business tax rate is from 3% to 20%, depending on the type of services provided. Sale of real estates and other improvements on the land attracts a business tax at 5% of the turnover of selling such properties, which is payable by the selling enterprise to the relevant local tax authorities.

Pursuant to the Notice on Adjustment of Transforming Business Tax to Appreciation Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) issued on March 23, 2016 and implemented on May 1, 2016 by the MOF and the SAT, the pilot program of replacing business tax with appreciation tax shall be implemented nationwide effective from May 1, 2016 and all business tax payers in industry areas, including construction, real estate, finance and consumer service, shall be included in the scope of the pilot program and pay appreciation tax instead of business tax. According to the said regulation, the sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%, whereas, for self-developed real estate after May 1, 2016 by common taxpayer among real estate developers shall be subject to a general method tax rate of 5%. Moreover, real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Land Appreciation Tax (LAT)

Under the Interim Regulations on Land Appreciation Tax of the PRC (《中華人民共和國土地增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and effective from January 1, 1994, as well as its

implementation rules issued on January 27, 1995, land appreciation tax is payable on the appreciation value derived from the transfer of land use rights and buildings or other facilities on such land, after deducting the “deductible items” that include the followings:

- Payment made to acquire land use rights;
- Costs and charges incurred in connection with land development;
- Construction costs and charges for newly constructed buildings and facilities, or assessed value for old buildings and facilities;
- Taxes in connection with the transfer of real estates; and
- Other deductible items allowed by MOF.

The land appreciation tax shall adopt four levels of progressive tax rates, ranging from 30% to 60% of the appreciation value as follows:

<u>Appreciation value</u>	<u>LAT rate</u>
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

Exemption from LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale, where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estates taken over or recovered according to laws due to the construction needs of the State;
- Relocation due to the need of city planning and national construction;
- Due to redeployment of work or improvement of living standard, transfer by individuals of originally self-occupied residential properties after five years or more of self-residence with the approval of the tax authorities.

SAT issued the Circular on Careful Management of Land Appreciation Tax Collection (《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 require local authorities to optimize the withholding methods of LAT. This requirement is restated in the Circular of SAT on Further Strengthening Administration Work in Relation to the Collection of Urban Land Use Tax and Land Appreciation Tax (《國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知》) issued on August 5, 2004 by SAT. On December 28, 2006, SAT promulgated the (Circular Concerning the Administration of Settlement of Land Appreciation Tax Imposed on Real Estate Developers (《關於房地產開發企業土地增值稅清算管理有關問題的通知》)), effective from February 1, 2007. Starting from February 1, 2007, real estate developers shall settle the LAT in connection with their real estate development projects with the competent tax bureau at applicable tax rates. LAT shall be settled on the basis of the real estate development projects examined and approved by the relevant authority, and projects developed in phases shall be settled on the basis of the project phase.

LAT must be paid if a project meets any one of the following requirements:

- The real estate development project has been completed and sold out;
- The entire uncompleted and unsettled development project has been transferred; or
- The land use right of the relevant project has been transferred.

In addition, the competent tax authorities may require a real estate developer to settle the LAT in any one of the following circumstances:

- For completed real estate development projects, the transferred GFA represents more than 85% of the total saleable GFA, or if the proportion is less than 85%, the remaining saleable GFA has been leased out or used by the developer;
- The project has not been sold out three years after obtaining the sale or pre-sale permit;
- The developer applies for cancellation of tax registration without having settled the LAT; or
- Other conditions stipulated by the provincial tax authorities.

The provincial tax authorities will, taking into account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement as required by the circular.

SAT issued the Circular on the Publication of the Administrative Rules for the Settlement of Land Appreciation Tax (《關於印發<土地增值稅清算管理規程>的通知》) on May 12, 2009, effective from June 1, 2009, which reiterated the above standards and requirements in the circular. On May 19, 2010, SAT issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (《關於土地增值稅清算有關問題的通知》), which clarifies the revenue recognition in the settlement of land appreciation tax and other relevant issues. According to the circular, in the settlement of land appreciation tax, if the sales invoices of commodity housing are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if sales invoices are not issued or are issued in part, the revenue shall be recognized based on the purchase price and other income indicated in the sales contract signed by both parties. If the area of a commodity housing specified in a sales contract is inconsistent with the actual area measured by the relevant authorities and the purchase price has already been made up or returned before the settlement of land appreciation tax, adjustments shall be made in the calculation of land appreciation tax. The circular provides that the deed tax paid by a real estate developer for obtaining land use right shall be treated as the “relevant fees paid in accordance with the uniform regulations of the State” and be deducted as the “amount paid for obtaining land use right”.

On May 25, 2010, SAT published the Circular on Strengthening the Collection and Administration of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》) to require all local governments to scientifically formulate the withholding tax rate and strengthen the withholding of land appreciation tax. According to the circular, all local governments shall make adjustments to the current withholding rate. Apart from indemnificatory housing, the withholding rate of provinces in the eastern region shall not be lower than 2%, the provinces in the central and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the appropriate withholding rates applicable to different types of real estates.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (《房地產開發企業自行開發的房地產專案增值稅增收管理暫行辦法》) issued on March 31, 2016 and implemented on May 1, 2016 by SAT, the real estate developer which sell self-developed real estate projects shall pay the appreciation tax (“VAT”). VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of self-developed real estates in accordance with the following formula: $VAT = \text{prepayments} \div (1 + \text{applicable taxable rate or levy rate}) \times 3\%$. Where the method of general VAT taxation is applicable, the applicable taxable rate is 11%, and where the method of simplified VAT taxation is applicable, the levy rate is 5%.

Deed Tax

Under the Interim Regulations on Deed Tax of the PRC (《中華人民共和國契稅暫行條例》) promulgated by the State Council on July 7, 1997 and effective from October 1, 1997, deed tax is chargeable to transferees of land use right and/or ownership of real estates in the PRC. These taxable transfers include:

- Grant of state-owned land use rights;

- Sale, gift and exchange of land use rights; and
- Sale, gift and exchange of buildings.

Deed tax rate is from 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

On September 29, 2010, SAT, MOF and MOHURD issued the Circular on Adjusting the Preferential Policies on Deed Tax and Individual Income Tax in Real Estate Deals (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), effective from October 1, 2010, which provides that where an individual purchases an ordinary house as the sole house for his/her family (family members include the purchaser and his/her spouse and minor children, hereinafter the same) to live in, deed tax thereon shall be reduced by half. Where an individual purchases an ordinary house of 90 sq.m. or less as the sole house for his/her family to live in, the deed tax shall be reduced and levied at the rate of 1%. The tax authority shall inquire about the deed tax payment record of a taxpayer. In respect of individual purchase of an ordinary house that fails to satisfy the above requirements, no preferential tax policies set out above may be enjoyed.

Pursuant to the Notice on Adjustment of Preferential Treatment Policies in Respect of Deed Tax and Business Tax on Real Estate Transactions (《關於調整房地產交易環節契稅、營業稅優惠政策的通知》) promulgated by MOF, SAT and MOHURD on February 17, 2016 and became effective on February 22, 2016, the rate of deed tax payable for real estate transactions is adjusted downward as follows:

- for an individual purchasing the only residential property for his/her household, the rate of deed tax is adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and
- for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax is reduced to 1% for a property less than 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

Beijing, Shanghai, Guangzhou and Shenzhen are not subject to the above deed tax preferential treatment policies temporarily.

Urban Land Use Tax

Pursuant to the Interim Regulations on Urban Land Use Tax of the PRC (《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 and revised on December 31, 2006, the urban land use tax is levied based on the area of the relevant land. As of January 1, 2007, the annual tax on each sq.m. of urban land shall be between RMB0.6 and RMB30.0.

Real Estate Tax

Under the Interim Regulations on Real Estate Tax of the PRC (《中華人民共和國房產稅暫行條例》) promulgated by the State Council on September 15, 1986 and effective from October 1, 1986, the real estate tax is 1.2% if calculated on the basis of the residual value of the real estate and 12% if calculated on the basis of the rental of the real estate.

Stamp Duty

Under the Interim Regulations on Stamp Duty of the PRC (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on August 6, 1988 and effective from October 1, 1988, for transfer instruments of property rights, including those in respect of property ownership transfer, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and certificates of land use right, stamp duty is levied on an item-by-item basis of RMB5.0 per item.

Urban Maintenance and Construction Tax

Under the Interim Regulations on Urban Maintenance and Construction Tax of the PRC (《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, starting from 1985, any taxpayer of product tax, value-added tax or business tax, whether an enterprise or an individual, is liable for an urban maintenance and construction tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area, county or town.

On October 18, 2010, the State Council issued the Circular on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and 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費附加制度的通知》), which provides that, starting from December 1, 2010, the “Interim Regulations on Urban Maintenance and Construction Tax of the People’s Republic of China” promulgated in 1985 shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners. Laws, regulations, rules and policies on urban maintenance and construction tax promulgated by the State Council and the competent finance and tax authorities under the State Council since 1985 shall also be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on April 28, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011, any taxpayer of value-added tax, business tax or consumption tax, whether an individual or an enterprise, is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Circular 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》).

On October 18, 2010, the State Council issued the Circular on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals, which provides that, starting from December 1, 2010, the Interim Provisions on Imposition of Education Surcharge promulgated in 1986 shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners. Laws, regulations, rules and policies on education surcharge promulgated by the State Council and the competent finance and tax authorities under the State Council since 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

FOREIGN EXCHANGE CONTROL

As the Company, incorporated in the Cayman Islands with limited liabilities, is a foreign investor under Chinese laws, we are subject to foreign currency regulations that are related to capital contribution and repatriation of dividends and other proceeds.

General Regulations

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange control and is not freely convertible into foreign exchange at the time being. SAFE, under the authority of PBOC, is empowered to administer all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign exchange in the PRC. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE before it could convert the Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis.

On December 28, 1993, PBOC, under the authority of the State Council, promulgated the Circular of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System (《中國人民銀行關於進一步改革外匯管理體制的公告》), effective from January 1, 1994 (abolished on August 28, 2009). The circular announced the abolition of the foreign exchange quota system, the implementation of conditional conversion of RMB in current account items, the establishment of the system of settlement and payment of foreign exchange by banks and the unification of the official Renminbi exchange rate and the Renminbi market rate established by swap centers.

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》, the "Administrative Regulations on Foreign Exchange") which became effective from April 1, 1996 and was subsequently amended on January 14, 1997. The Administrative Regulations on Foreign Exchange classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE's approval while capital account items are still subject to its approval.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on the convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

The Administrative Regulations on Foreign Exchange was amended by the State Council on August 1, 2008 and became effective on August 5, 2008. Under the revised Administrative Regulations on Foreign Exchange, the compulsory settlement of foreign exchange is dropped. As long as the foreign exchange income and expenses under the current accounts are based upon real and legal transactions, the foreign exchange income generated from current account transactions may be retained or sold by individuals and entities to financial institutions engaged in foreign currency settlement and sale according to the provisions and terms to be set forth by SAFE. Whether to retain or sell the foreign exchange income generated from capital account transactions to financial institutions engaged in foreign currency settlement and sale is subject to the approval of SAFE or its branches, except otherwise stipulated by the State. Foreign exchange or Renminbi funds for settlement under the capital account must be used in the way as approved by SAFE and its branches, and SAFE and its branches are empowered to supervise the use of the foreign exchange or Renminbi funds for settlement under the capital account and the alterations of the capital accounts.

According to the SAFE Notice 19, for actual needs of business operation, foreign invested enterprises may convert their foreign currency capital into Renminbi at their own discretions. The ratio of the discretionary settlement of foreign currency capital of foreign enterprises is tentatively set at 100%, which is subject to adjustment by SAFE in accordance with the status of international balance of payment. In addition, the foreign currency registered capital of a foreign-invested enterprise that has been settled in Renminbi may only be used for purposes within the business scope approved by the applicable governmental authority and shall not be used for the following purposes: (i) directly or indirectly used for expenditures prohibited by the laws and regulations or beyond the enterprise's business scope; (ii) directly or indirectly used for securities investments unless otherwise specified by laws and regulations; (iii) directly or indirectly used for providing Renminbi entrusted loans (unless permitted in the business scope), repaying loans between enterprises (including third party cash advance), or repaying bank loans it has obtained and on-lent to third parties; (iv) used to purchase non-self-use real estate, except for foreign invested real estate enterprises. Furthermore, foreign invested enterprises whose main business is investment are allowed to directly settle their foreign currency capital and transfer that amount into the account of the enterprise being invested, provided that the domestic investment project is real and compliant. For an ordinary foreign invested enterprise intending to engage in domestic equity investment using Renminbi settled from foreign currency capital, Circular 19 stipulates that the enterprise being invested shall first complete a domestic reinvestment registration and open a foreign currency settlement account with local foreign exchange authority (bank), after which the investing enterprise may transfer the Renminbi settled (consisting of the actual amount of the investment) to the account opened by the enterprise being invested.

Renminbi Exchange Rate Regulations

On January 1, 1994, the dual exchange rate system for Renminbi was abolished and replaced by a single controlled floating exchange rate system, which was based on market demand and supply. Pursuant to such system, PBOC set and published the daily Renminbi-US dollar exchange rate. Such exchange rate was determined with reference to the transaction price for RMB-US dollar in the inter-bank foreign exchange market on the previous day. PBOC would also, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of the Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On July 21, 2005, PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar only. PBOC will announce the closing price of the Renminbi exchange rate, such as the trading price of US dollar against RMB, in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of Renminbi on the following business day.

Foreign Exchange Registration of Offshore Special Purpose Companies

On October 21, 2005, SAFE issued the Circular on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》, “No. 75 Circular”), which became effective on November 1, 2005. According to the circular, a “special purpose company” refers to an offshore company established or indirectly controlled by a PRC resident for the purpose of carrying out offshore financing with his/her assets or equity interest in a domestic enterprise. Prior to establishing or controlling such a special purpose company, each PRC resident must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

SAFE issued the Circular on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies (《關於進一步改進和調整直接投資外匯管理政策的通知》) on November 19, 2012, effective on December 17, 2012 and amended on May 4, 2015. The circular contains an attachment which made specific provisions on the implementation of various matters, including the foreign exchange registration and alteration of special purpose company, establishment of special purpose company and merger and acquisition of domestic enterprises, as well as foreign exchange registration of newly-established foreign-invested enterprises and merger and acquisition of domestic enterprises by foreign-invested enterprises.

On July 4, 2014, SAFE issued the Circular on Issues Relating to the Administration of Foreign Exchange in Overseas Investment, Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《問題的通知》, “No. 37 Circular”) to further simplify and facilitate the cross-border capital transactions involved in the investment and financing activities carried out by domestic residents through special purpose companies, which became effective on the date of promulgation. According to the No. 37 Circular, a “special purpose company” refers to an offshore company that are directly established or indirectly controlled for the purpose of investment and financing by Mainland China residents (including Mainland China institutions and Mainland China individuals) with their legitimate holdings of the assets or interests in Mainland China enterprises, or their legitimate holdings of overseas assets or interests. Prior to making contribution to a special purpose company with legitimate holdings of domestic or overseas assets or interests, a Mainland China resident shall apply to the relevant local SAFE branch for foreign exchange registration of overseas investment. The No. 75 Circular was repealed on the effective date of the No. 37 Circular.

On February 13, 2015, SAFE issued the Circular on Issues Relating to the Policies of the Foreign Exchange Administration in Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》,

“No. 13 Circular”), which came into effect on June 1, 2015, to further simplify the procedures of foreign exchange administration applicable to direct investment. According to the No. 13 Circular, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment including the foreign exchange registration under the No. 37 Circular.

Special Foreign Exchange Regulations on Real Estate Enterprises

On September 1, 2006, SAFE and Ministry of Construction jointly issued the Circular on Regulating Issues Relevant to Administration of Foreign Exchange in the Real Estate Market (《關於規範房地產市場外匯管理有關問題的通知》) (amended on May 4, 2015). The circular provides that:

- where a FIREE fails to obtain a state-owned land use right certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau shall not register the foreign debt or approve the settlement of foreign debt;
- where a foreign institution or individual acquires a domestic real estate enterprise but fails to pay the transfer price in a lump sum with its (his) own fund, the foreign exchange bureau shall not register the foreign exchange income from the transfer of equities;
- the domestic and foreign investors of a FIREE shall not reach an agreement including any clauses which promise a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration alteration for the foreign-invested enterprise; and
- the funds in the foreign exchange account exclusive for foreign investors opened by a foreign institution or individual in a domestic bank shall not be used for real estate development or operation. The circular also provides for the foreign exchange handling process related to the purchase and sale of commodity houses in the PRC by branches of overseas institutions established in the PRC, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese.

FOREIGN INVESTMENT AND ACQUISITION

As the Company, incorporated in the Cayman Islands with limited liabilities, is a foreign investor under Chinese laws, all of its PRC subsidiaries are foreign-invested enterprises. We are therefore subject to laws and regulations relating to foreign investment in China.

According to the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) which became effective on September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity interests of a domestic enterprise or subscribes to the increased capital of a domestic enterprises in order to convert the domestic enterprise into a foreign-invested enterprise; or (ii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets, or purchases the assets of a domestic enterprise and invests such assets to establish a foreign-invested enterprise. Furthermore, under the M&A Provisions, foreign acquisitions under specified circumstances shall be subject to the approval of MOFCOM, rather than local commercial authorities and such requirement shall not be evaded by domestic investment of a foreign-invested enterprise or by any other means.

DIVIDEND DISTRIBUTION

According to the Company Law of the PRC (《中華人民共和國公司法》), the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》) and its Implementing Regulations, sino-foreign equity joint venture enterprises, or EJV, in China may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. After making up for any

deficit in prior years pursuant to the PRC laws, an EJV in China is required to set aside each year as general reserves at least 10% of its after-tax profit, determined in accordance with PRC accounting standards and regulations, until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends.

The shareholders of an EJV may, in their discretion, allocate a portion of the enterprise's after-tax profit to such enterprise's staff welfare and bonus funds. EJVs that are in deficit or liquidation may not distribute dividends.

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:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Ou Zonghong	48	Chairman, Executive Director and Chief Executive Officer
Mr. Wu Jian	47	Executive Director and Vice President
Mr. Lin Junling	39	Executive Director and Vice President
Ms. Zeng Feiyan	41	Executive Director, Chief Financial Officer and Co-Company Secretaries
Mr. Lo, Wing Yan William	55	Independent Non-executive Director
Mr. Ren Yunan	42	Independent Non-executive Director
Mr. Qu Wenzhou	45	Independent Non-executive Director
Mr. Xu Shenliang	41	Vice President
Mr. Ruan Youzhi	41	Assistant to the Chairman
Ms. Ng Wing Shan	40	Co-Company Secretaries

Executive Directors

Mr. Ou Zonghong, aged 48, is the founder of our Group. Mr. Ou has been a Director since September 11, 2014, the Chairman of the Board since December 1, 2014 and was re-designated as our Executive Director and appointed as our Chief Executive Officer on December 15, 2014. Mr. Ou is primarily responsible for the overall development strategy and daily operation of our Group. He has more than 20 years of experience in the property development and construction industries. Mr. Ou established Putian Transport Engineering Company Limited on August 1, 1995, which engaged in the construction of motorways. On April 20, 2000, Mr. Ou started his engagement with the property related business and established Putian Transport and Real Estate Development Company Limited. On September 23, 2003, Mr. Ou established Rongxin Fujian (formerly known as Fujian Rongxin Real Estate Development Company Limited). Mr. Ou has been a director of Renmin University of China since October 18, 2011. Mr. Ou has also been the managing vice president of the Federation of Fujian Enterprise and Entrepreneur Association since April 2012. Mr. Ou has also assumed various positions in the subsidiaries of our Company, including being the sole director of Rongda Company Limited since September 11, 2014, the sole director of Rongtai Company Limited since September 26, 2014, a director of Rongxin Fujian since September 23, 2003, a director of Rongxin (Zhangzhou) Property Company Limited from January 7, 2011 to February 1, 2013 and a director of Fujian Rongshengmei Business Information Consultancy Company Limited (“Fujian Rongshengmei”) since October 28, 2014. Mr. Ou was awarded membership within the fourteenth and fifteenth sessions of the Excellent Entrepreneurs of Fujian in December 2011 and June 2014, respectively. He also received the Silver Award of the Ten Young Entrepreneurs of Fujian in April 2008.

Mr. Wu Jian, aged 47, has been an Executive Director since December 1, 2014 and the Vice President of our Group since January 2012. Mr. Wu Jian is primarily responsible for assisting the planning of corporate strategy, assisting Mr. Ou Zonghong to manage the daily operation of our Group and supervise the sales and marketing departments. He has more than 10 years of experience in the property development industry. Mr. Wu Jian joined our Group in March 2004 and had assumed various positions since then, including as the vice general manager of Rongxin Fujian from March 2004 to April 2009, the vice general manager of Fuzhou Shiou Property Development Co., Ltd. (“Shiou Property”), one of the joint ventures of our Group, from April 2009 to December 2010 and the general manager of Rongxin Fujian from December 2010 to December 2011. Before joining our

Group, Mr. Wu Jian had been engaged with Fuzhou Architectural Design Institute from April 1994 to May 2004, working at various time as an engineer, the engineer-in-charge and the vice chief engineer. Mr. Wu Jian has been a senior engineer authorized by the Leading Group for Professional Title Reform of Fuzhou since January 2002. Mr. Wu Jian graduated from Shanghai Jiao Tong University in Shanghai in July 1991 with a bachelor's degree in industrial and civil architecture and from Zhejiang University in Hangzhou, Zhejiang province in March 1994 with a master's degree in structural engineering. Mr. Wu Jian has also assumed various positions in the subsidiaries of our Company, including as a director of Rongxin Fujian since August 1, 2007, a director of Fuzhou Investment from June 7, 2011 to May 21, 2012, a director of Rongxin (Xiamen) Property Development Company Limited from January 11, 2013 to July 7, 2014, a director of Hemei (Shanghai) Property Development Company Limited ("Hemei Shanghai Property") from May 20, 2013 to September 13, 2013 and a director of Fujian Rongshengmei since October 28, 2014.

Mr. Lin Junling, aged 39, has been an Executive Director since December 1, 2014 and the Vice President of the Group since January 2014. Mr. Lin Junling is primarily responsible for assisting the planning of corporate strategy and management of the business operations of our Group in Eastern China. Mr. Lin Junling joined our Group in September 2003. He has approximately 15 years of experience in the property development industry. He has served as the executive vice general manager of Rongxin Fujian from September 2003 to August 2007, the general manager of Rongxin Fujian from August 2007 to April 2010, the chairman of Shiou Property, one of the joint ventures of the Group, from April 2010 to December 2013 and the general manager of the Eastern China based companies of the Group since January 2014. Before joining the Group, Mr. Lin Junling had served as the general manager of Putian Transport and Property Development Company Limited from January 2001 to September 2003. Mr. Lin Junling obtained an associate degree in architecture finance and accounting from Fujian College of Architecture (now known as Fujian University of Technology) in Fuzhou, Fujian province in June 1999. He is currently a candidate for a master's degree in business administration in Xiamen University in Xiamen, Fujian province. In December 2014, Mr. Lin Junling was awarded the 2014 Outstanding Manager of China for the Year award. Mr. Lin Junling has also assumed various positions in the subsidiaries of our Company, including as a director of Rongxin Fujian from August 1, 2007 to September 8, 2011 and since May 7, 2012, a director of Xiamen Property since April 21, 2014, a director of Hangzhou Kaizhu Rongxin Property Development Company Limited since May 16, 2014, a director of Hangzhou Rongxin Kaisheng Property Development Company Limited since May 14, 2014, the sole director of Shanghai Qianheng Property Company Limited since April 21, 2014 and a director of Fujian Rongshengmei since October 28, 2014.

Ms. Zeng Feiyan, aged 41, has been an Executive Director since July 27, 2015 and the chief financial officer since she joined our Group in August 2013. She is primarily responsible for the financial affairs and company secretarial matters of our Group. Before joining our Group, Ms. Zeng Feiyan has more than 10 years of finance-related experiences in various entities. Ms. Zeng Feiyan had served as the manager of the operation and financial management center and the vice director of the supervisory committee of Hopson Development Holdings Limited (a property development company listed on the Main Board of the Stock Exchange, stock code: 754) from May 2003 to October 2007. She was the vice general manager responsible for finance and investment management of Guangdong Pearl River Investment Management Group Company Limited (a company principally engaged in the investment in energy and infrastructure projects) from October 2007 to September 2011, and the vice president and secretary of the board of directors of Cnhomeland Environmental Co., Ltd. (an environmental-protection company engaged in the provision of environmental solutions services) from September 2011 to August 2013. Ms. Zeng Feiyan has been a certified public accountant authorized by the Institute of Certified Public Accountants of Guangdong Province since January 7, 2003. She has also been a senior economist as credentialed by the Senior Professional Titles Evaluation Committee of Dezhou Private Economic Organizations since September 26, 2013 and a Registered Tax Agents authorized by the Certified Tax Agents Association of Guangdong Province since December 13, 2011. Ms. Zeng Feiyan graduated from Changsha Communication College (now known as Changsha University of Science and Technology) in Changsha, Hunan province in June 1998 where she obtained a bachelor's degree in accounting. Ms. Zeng Feiyan graduated from Guanghua School of Management of Peking University with an executive master of business administration in 2016.

Independent Non-executive Directors

Mr. Lo, Wing Yan William, aged 55, Justice of the Peace, has been our Independent Non-executive Director since January 13, 2016. He is primarily responsible for supervising and providing independent judgment to the Board. He is currently the vice chairman of Lovable International Holdings Ltd, a company engaged in the manufacture and sale of toys and children's products, the chairman of VS Media Ltd, a new media company, and the chairman of Strategenes Limited, a financial and strategy advisory firm in Hong Kong. Mr. Lo served as an executive director and vice president of China Unicom Limited (a company listed on the Main Board of the Stock Exchange which principally engages in the provision of cellular and fixed-line voice and related value-added services, stock code: 762) from July 2002 to March 2006, an independent non-executive director of I.T Limited (a company listed on the Main Board of the Stock Exchange which principally engages in retailing and trading fashion wears and accessories, stock code: 999) from October 2004 to May 2006, and an executive director, vice chairman, managing director and chief financial officer of I.T Limited from May 2006 to May 2009. He had also served as the vice chairman of South China Media Group from September 2011 to June 2014.

Mr. Lo currently serves as an independent non-executive director or independent director in several listed companies, including those set out below:

<u>Name of entity</u>	<u>Principal business</u>	<u>Place of listing and stock code</u>	<u>Position and period of time</u>
Varitronix International Limited	a company principally engaged in the design, manufacture and sale of liquid crystal displays and related products	listed on the Main Board of the Stock Exchange (stock code: 710)	an independent non-executive director since July 2004
SITC International Holdings Company Limited	a company principally engaged in the provision of marine transportation services	listed on the Main Board of the Stock Exchange (stock code: 1308)	an independent non-executive director since September 2010
International Housewares Retail Company Limited	a company principally engaged in retailing houseware products	listed on the Main Board of the Stock Exchange (stock code: 1373)	an independent non-executive director since September 2013
Jingrui Holdings Limited	a company engaged in property development	listed on the Main Board of the Stock Exchange (stock code: 1862)	an independent non-executive director since October 2013
CSI Properties Limited	a company engaged in property development	listed on the Main Board of the Stock Exchange (stock code: 497)	an independent non-executive director since April 2014
Television Broadcasts Limited	a free-to-air TV broadcaster and a commercial Chinese program producer	listed on the Main Board of the Stock Exchange (stock code: 511)	an independent non-executive director since February 2015
Nam Tai Electronics Inc. (now known as Nam Tai Property Inc.)	a company currently and principally engaged in property development and management	listed on the New York stock exchange (stock code: NTP)	an independent director since July 2003
E2-Capital Holdings Limited (formerly known as Westminster Travel Limited)	a company principally engaged in the provision of corporate travel services	listed on the Singapore stock exchange (stock code: 50F)	an independent non-executive director since June 2009

Mr. Lo has been appointed as Justice of the Peace by the government of the HKSAR on July 1, 1999. He was also appointed as a member of Shantou Committee of Chinese People's Political Consultative Conference in 2003. Mr. Lo graduated from University of Cambridge in the United Kingdom with a master of philosophy degree in molecular pharmacology and a doctor of philosophy degree in genetic engineering in March 1986 and March 1988, respectively. He is also an academician of Downing College of University of Cambridge.

Mr. Ren Yunan, aged 42, has been an Independent Non-executive Director since January 13, 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Ren Yunan obtained a bachelor degree in law from Peking University in Beijing in July 1997 and a master's degree in law from Harvard University in the U.S. in June 1999. Mr. Ren Yunan has been qualified to practice law in New York since March 2000 and is also admitted to practice in Hong Kong since March 2003.

Mr. Ren Yunan currently holds or has held directorship in several listed companies, including those set out below:

<u>Name of entity</u>	<u>Principal business</u>	<u>Place of listing and stock code</u>	<u>Position and period of time</u>
Prince Frog International Holdings Limited (now known as China Child Care Corporation Limited)	a company principally engaged in the design and provision of child care products	listed on the Main Board of the Stock Exchange (stock code: 1259)	an independent non-executive director from February 18, 2011 to October 15, 2015 and a non- executive director since October 16, 2015
Vision Fame International Holding Limited	a company principally engaged in building construction and property maintenance	listed on the Main Board of the Stock Exchange (stock code: 1315)	an independent non-executive director from May 2013 to November 2013
Labixiaoxin Snacks Group Limited	a snack food provider	listed on the Main Board of the Stock Exchange (stock code: 1262)	a non-executive director since February 2015
Tiger Media, Inc. (now known as IDI, Inc.)	a data solution and multi-platform media company	listed on the New York stock exchange (stock code: IDI)	an independent director from February 2012 to June 2015
Solar Power, Inc. (now known as SPI Energy Co., Ltd.)	a photovoltaic project developer	shares are traded on NASDAQ in the U. S. (stock code: SOPW)	an independent director since April 2015

Mr. Qu Wenzhou, aged 45, has been an Independent Non-executive Director since January 13, 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Qu served as a professor of Business Management of Xiamen University from August 2007 to July 2013.

Mr. Qu Wenzhou has served as an independent non-executive director or independent director in several listed companies, including those set out below:

<u>Name of entity</u>	<u>Principal business</u>	<u>Place of listing and stock code</u>	<u>Position and period of time</u>
Mingfa Group (International) Company Limited	a property development company	listed on the Main Board of the Stock Exchange (stock code: 846)	an independent non- executive director and chairman of the audit committee since August 19, 2010
Xiamen International Airport Group Co., Ltd.	a transportation company	listed on the Shanghai stock exchange (stock code: 600897)	an independent director since May 9, 2008 to May 8, 2014 and chairman of the audit committee since May 20, 2011
Hainan Zhenghe International Group Co., Ltd. (now known as Geo- Jade Petroleum Corporation)	a wholesale company	listed on the Shanghai stock exchange (stock code: 600759)	an independent director and chairman of the audit committee since December 30, 2013
Shandong Airlines Co., Ltd.	an airline company	listed on the Shenzhen stock exchange (stock code: 200152)	an independent director and convener of the audit committee since June 26, 2009
Shenzhen Laibao Hi-Tech Co., Ltd.	a developer and manufacturer of up- stream materials for small-medium flat display panel	listed on the Shenzhen stock exchange (stock code: 002106)	an independent director since April 16, 2010

Mr. Qu Wenzhou has been a member of the eleventh All-China Youth Federation since August 2010. He was awarded the Youth May 4th Medal of Fujian Province in May 2008. He has been a certified public accountant authorized by The Chinese Institute of Certified Public Accountants since November 2003 and a chartered financial analyst authorized by CFA Institute since November 2004. Mr. Qu Wenzhou graduated from Xiamen University in Xiamen, Fujian province with a bachelor's degree in science in July 1995. He also obtained his master's degree in economics in June 1999, master's degree in business administration in October 2001 and doctor degree in economics in December 2003 from Xiamen University.

Senior Management

The senior management of our Group include the four Executive Directors as disclosed above and the following persons:

Mr. Xu Shenliang, aged 41, has been our vice president since he joined our Group in February 2013 and is primarily responsible for the design and construction of our Group's property development projects. Before joining our Group, Mr. Xu Shenliang served in various positions in different companies, including, among others, the project manager in Beijing Longfor Property Company Limited (a property development company) from July 2007 to March 2010 and the design director of Sino-Ocean Land Company Limited (a property development company) from August 2009 to March 2013. Mr. Xu Shenliang has been a senior engineer authorized by the Personnel Department of Liaoning Province since November 2009. Mr. Xu Shenliang

graduated from Central Academy of Craft Art (now known as Academy of Arts and Design, Tsinghua University) in Beijing in July 1996 where he obtained a bachelor degree in environmental art and design.

Mr. Ruan Youzhi, aged 41, has been our assistant to the chairman since he joined our Group in June 2008 and is primarily responsible for the real estate investment business of our Group. Before joining our Group, Mr. Ruan Youzhi had been a teacher in Fengjiang High School of Xianyou from August 1997 to August 2001 and a journalist of Haixia Metropolis Daily from March 2003 to June 2009. Mr. Ruan Youzhi obtained his bachelor degree in Chinese language and literature in July 2005 from Fujian Normal University in Fuzhou, Fujian province.

Co-Company Secretaries

Ms. Zeng Feiyan and Ms. Ng Wing Shan are our Co-Company Secretaries. For Ms. Zeng's background, please refer to her biographical details disclosed above.

Ms. Ng Wing Shan, one of our Co-Company Secretaries, is currently an assistant vice president of SW Corporate Services Group Limited. Ms. Ng is a fellow member of The Hong Kong Institute of Chartered Secretaries and a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Board Committees

We have established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board Committees has specific written terms of reference which deal clearly with their authority and duties. The chairman of the respective Board Committees will report their findings and recommendations to the Board after each meeting.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of our Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee consists of three members, namely Mr. Qu Wenzhou, Mr. Lo, Wing Yan William and Mr. Ren Yunan, each of them is an Independent Non-executive Director. The chairman of the Audit Committee is Mr. Qu Wenzhou who possesses appropriate professional qualifications.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Board on our policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, to make recommendations to the Board on the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time. The Remuneration Committee consists of three members, namely Mr. Ou Zonghong, an Executive Director, Mr. Ren Yunan and Mr. Qu Wenzhou, both of whom are Independent Non-executive Directors. The chairman of the remuneration committee is Mr. Ren Yunan.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size

and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes, identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, assess the independence of the independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of the Directors and succession planning for the Directors. The Nomination Committee consists of three members, namely Mr. Ou Zonghong, an Executive Director, Mr. Lo, Wing Yan William and Mr. Qu Wenzhou, both of whom are Independent Non-executive Directors. The chairman of the nomination committee is Mr. Ou Zonghong.

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, 2013, 2014 and 2015 and the six months ended June 30, 2016 to those persons who have been or are our directors, was approximately RMB3.4 million, RMB6.0 million, RMB6.1 million (US\$0.9 million) and RMB3.7 million (US\$0.6 million), respectively.

Share Option Scheme

We adopted our share option scheme (the "Share Option Scheme") on December 28, 2015. Set forth below are the details of the Share Option Scheme:

The purpose of the Share Option Scheme is to grant options to selected participants as incentives or rewards for their contribution to our Group.

The participants of the Share Option Scheme are any directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners and service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 135,000,000 Shares. 135,000,000 Shares represents approximately 9.98% of the total Shares in issue as of the date of this offering memorandum.

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

An option may be accepted by a participant to whom the offer is made within five business days from the date on which the letter containing the offer is delivered to that participant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant. A nominal consideration of HK\$1 is payable upon acceptance of the grant of an option.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

PRINCIPAL SHAREHOLDERS

As of the date of the offering memorandum, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholders	Nature of Interest/Capacity	Number of Shares or underlying Shares ⁽¹⁾	Approximate percentage of shareholding
Dingxin Company Limited ⁽²⁾	Beneficial owner	1,012,500,000 (L)	74.87%
Honesty Global Holdings Limited ⁽²⁾	Interest in controlled corporation	1,012,500,000 (L)	74.87%
TMF (Cayman) Ltd. ⁽²⁾	Trustee of a trust	1,012,500,000 (L)	74.87%
Mr. Ou Guofei ⁽²⁾⁽³⁾	Settlor of a trust	1,012,500,000 (L)	74.87%
Ms. Xu Lixiang ⁽⁴⁾	Beneficiary of a trust/interest of spouse	1,012,500,000 (L)	74.87%

Notes:

- (1) The letter “L” denotes the entity’s long position in the relevant Shares.
- (2) Dingxin Company Limited is a BVI company wholly owned by Honesty Global Holdings Limited, another BVI company, wholly owned by TMF (Cayman) Ltd., the trustee of the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei (as the settlor) with Mr. Ou Zonghong being the protector. Accordingly, each of Honesty Global Holdings Limited, TMF (Cayman) Ltd. and Mr. Ou Guofei is deemed to be interested in the Shares held by Dingxin Company Limited.
- (3) Mr. Ou Guofei is the son of Mr. Ou Zonghong.
- (4) Ms. Xu Lixiang is the spouse of Mr. Ou Zonghong and is therefore deemed under the SFO to be interested in the Shares held by Mr. Ou Zonghong.

Except as disclosed above, as of June 30, 2016, our Company had not been notified of any persons (other than a Director or chief executive of our Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material transactions between us and our related parties in 2013, 2014, 2015 and for the six months ended June 30, 2016.

BALANCES WITH RELATED PARTIES

The following table summarizes balances with our related parties as of December 2013, 2014, 2015 and June 30, 2016.

	As of December 31,				As of June 30, 2016	
	2013	2014	2015		(RMB'000)	(US\$'000)
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(unaudited)	(unaudited)
Amounts due to other related parties:						
Mr. Ou Zonghong	37,185	627,057	237,500	35,736	85,948	12,932
Rongxin (Fujian) Property Management Co., Ltd.	1,583	8,541	27,047	4,070	15,856	2,386
Dingxin Company Limited	—	—	460	69	469	71
Fujian Dingcheng Investment Co., Ltd	702,287	888,251	—	—	—	—
Fujian Shiou Property Management Co., Ltd	—	—	—	—	11,043	1,662
	<u>741,055</u>	<u>1,523,849</u>	<u>265,007</u>	<u>39,875</u>	<u>113,316</u>	<u>17,051</u>
Amounts due to joint ventures:						
Shiou Group	1,130,273	1,448,773	—	—	N/A	N/A
Liboshuntai Property	—	235,000	—	—	—	—
	<u>1,130,273</u>	<u>1,683,773</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>1,871,328</u>	<u>3,207,622</u>	<u>265,007</u>	<u>39,875</u>	<u>113,316</u>	<u>17,051</u>

Amounts due to Rongxin (Fujian) Property Management Co., Ltd. and Fujian Shiou Property Management Co., Ltd. represent mainly the payables of property management fees which are unsecured, interest free, and to be settled according to agreed terms and are denominated in Renminbi.

Amounts due to other related parties mainly represent cash advances which are unsecured, interest-free, repayable on demand and denominated in Renminbi.

TRANSACTIONS WITH RELATED PARTIES

The following table summarizes transactions with our related parties for the periods indicated.

Property management services provided by a related party

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
Rongxin (Fujian) Property Management Co., Ltd	13,047	24,745	38,941	5,859	16,715	181	27
Fujian Shiou Property Management Co., Ltd	—	—	—	—	—	17,092	2,572
	<u>13,047</u>	<u>24,745</u>	<u>38,941</u>	<u>5,859</u>	<u>16,715</u>	<u>17,273</u>	<u>2,599</u>

Guarantee for borrowings of related parties

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
Guarantee to joint ventures:							
Shiou Group	—	1,544,700	2,689,500	404,686	2,099,500	N/A	N/A
Liboshuntai Property	140,000	140,000	45,000	6,771	110,000	—	—
Shanghai Kaitai	—	—	296,910	44,676	335,820	371,910	55,961
Guarantee to other related party:							
Hemei (Zhangzhou) Hotel							
Investment Co., Ltd.	214,000	408,000	—	—	388,000	—	—
	<u>354,000</u>	<u>2,092,700</u>	<u>3,031,410</u>	<u>456,132</u>	<u>2,933,320</u>	<u>371,910</u>	<u>55,961</u>

Movements of cash advances

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
Cash advances to related parties							
Opening balances	950,823	3,324,359	2,713,147	408,244	2,713,147	—	—
Non-cash transaction							
Transfer from prepayment for investment in a joint venture when the joint venture was incorporated	—	156,208	—	—	—	—	—
Non-cash transaction arising from the consideration of Shiou Group	—	—	—	—	—	(304,000)	(45,742)
Advances to							
Liboshuntai Property	—	—	—	—	—	—	—
Shanghai Kaidai	1,276,089	—	—	—	—	—	—
Shanghai Kaitai	1,747,286	—	—	—	—	—	—
Shanghai Kairi	—	59,442	—	—	—	—	—
Shanghai Kaichang	—	239,769	—	—	—	—	—
Shanghai Kaiyu	—	207,407	—	—	—	—	—
Shanghai Kaichong	—	83,984	—	—	—	—	—
Hairong (Zhangzhou) Property Development Co., Ltd.	—	115,896	—	—	—	—	—
Zhangzhou City Wankebinjiang Property Co., Ltd.	180,984	11,081	—	—	—	—	—
Mr. Ou Zonghong	—	—	—	—	—	—	—
Dingcheng Investment	—	—	—	—	—	—	—
Shiou Group	—	—	—	—	—	304,000	45,742
	<u>3,204,359</u>	<u>717,579</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>304,000</u>	<u>45,742</u>

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
Repayments from							
Shiou Group	(568,727)	—	—	—	—	—	—
Liboshuntai Property	(105,900)	(120,000)	—	—	—	—	—
Shanghai Kaidai	—	(1,008,500)	(267,589)	(40,264)	(230,000)	—	—
Shanghai Kaitai	—	(356,499)	—	—	—	—	—
Shanghai Kairi	—	—	(36,474)	(5,488)	(34,356)	—	—
Shanghai Kaiyu	—	—	(207,407)	(31,208)	(207,407)	—	—
Shanghai Kaichang	—	—	(8)	(1)	—	—	—
Hairong (Zhangzhou) Property Development Co., Ltd.	—	—	(155,282)	(23,365)	(112,518)	—	—
Zhangzhou City Wankebinjiang Property Co., Ltd.	—	—	(174,481)	(26,254)	(114,600)	—	—
Mr. Ou Zonghong	(60,036)	—	—	—	—	—	—
Mr. Ou Guopeng	(96,160)	—	—	—	—	—	—
	<u>(830,823)</u>	<u>(1,484,999)</u>	<u>(841,241)</u>	<u>(126,580)</u>	<u>(698,881)</u>	<u>—</u>	<u>—</u>
Disposal of amounts due from joint ventures and an associate							
Shanghai Kaitai	—	—	(1,390,787)	(209,270)	—	—	—
Shanghai Kaichang Development Co., Ltd.	—	—	(239,761)	(36,077)	—	—	—
Hairong (Zhangzhou) Property Co., Ltd.	—	—	(116,822)	(17,578)	—	—	—
Shanghai Kaichong	—	—	(83,984)	(12,637)	—	—	—
Zhangzhou City Wankebinjiang Property Co., Ltd.	—	—	(17,584)	(2,646)	—	—	—
Shanghai Kairi	—	—	(22,968)	(3,456)	—	—	—
	<u>—</u>	<u>—</u>	<u>(1,871,906)</u>	<u>(281,663)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,324,359</u>	<u>2,713,147</u>	<u>—</u>	<u>—</u>	<u>2,014,266</u>	<u>—</u>	<u>—</u>
Cash advances from related parties							
Opening balances	856,353	1,869,745	3,199,081	481,362	3,199,081	237,960	35,806
Non-cash transaction to offset the dividend receivable from Shiou Group with the amounts due to Shiou Group	—	—	(487,120)	(73,296)	—	—	—
Non-cash transaction arising from the consideration of Shiou Group	—	—	—	—	—	(2,775,360)	(417,605)
Payables to Dingcheng Investment during the Reorganization	—	441,316	—	—	—	—	—
Payables to Mr. Ou Zonghong during the Reorganization ..	—	332,222	—	—	—	—	—

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
Advances from							
Mr. Ou Zonghong	37,185	257,650	—	—	—	—	—
Dingcheng Investment	423,800	—	—	—	—	—	—
Shiou Group	987,073	318,500	—	—	—	2,775,508	417,627
Liboshuntai Property	—	235,000	—	—	52,000	—	—
Dingxin Company Limited	—	—	460	69	—	—	—
	1,448,058	811,150	460	69	52,000	2,775,508	417,627
Repayments to							
Shiou Group	—	—	(961,653)	(144,699)	(113,000)	—	—
Liboshuntai Property	—	—	(235,000)	(35,360)	—	—	—
Mr. Ou Zonghong	—	—	(389,557)	(58,616)	(529,624)	(151,691)	(22,825)
Dingcheng Investment	(434,666)	(255,352)	(888,251)	(133,654)	(888,251)	—	—
	(434,666)	(255,352)	(2,474,461)	(372,329)	(1,530,875)	(151,691)	(22,825)
	1,869,745	3,199,081	237,960	35,806	1,720,206	86,417	13,003

In December 2015, we entered into an agreement to transfer our rights over such advances in an aggregate amount of approximately RMB1,871.9 million (US\$281.7 million) to a trust company at consideration of approximately RMB1,797.0 million (US\$270.4 million) on a non-recourse basis. We recognized the difference of RMB74.9 million (US\$11.3 million) as finance costs for the year ended December 31, 2015.

The cash advances with related parties are denominated and settled in RMB.

Interest expenses on cash advances from related parties

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Interest expense on cash advances from Dingcheng Investment . . .	31,311	—	—	—	—	—	—

KEY MANAGEMENT PERSONNEL REMUNERATION

The following table summarizes our key management personnel's remuneration for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015		2015	2016	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
Salaries and other employee benefit	1,536	3,182	2,059	310	1,517	3,701	557
Pension costs	63	87	64	10	42	90	14
	1,599	3,269	2,123	320	1,559	3,791	570

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 June 30, 2016, our total borrowings (including our current and non-current bank and other borrowings, the Private Corporate Bonds and the Public Corporate Bonds) amounted to RMB25,735.1 million (US\$3,872.3 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, including Bank of China, Agricultural Bank of China, China CITIC Bank and Bohai Bank. These loans are mainly used to finance the construction of our projects and our working capital requirements. They have terms ranging from six months to ten years, which generally correspond to the construction periods of the particular projects. As of June 30, 2016, the aggregate outstanding amount under these loans totaled approximately RMB4,621.4 million (US\$695.4 million), of which RMB1,667.4 million (US\$250.9 million) was due within one year, and RMB2,954.0 million (US\$444.5 million) was due between one and five years. Our PRC loans are typically secured by land use rights and properties as well as guaranteed by certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under our 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 June 30, 2016, the weighted average effective interest rate on the aggregate outstanding amount of our PRC loans was 5.95% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take some of 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 of 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;
- declaring or paying dividends;
- selling or disposing of assets that may adversely affect their ability to repay their loans; 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 PRC banks in connection with some of the PRC loans, pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, as of June 30, 2016, all of the PRC loans were secured by our assets which includes properties held for sale, properties under development, property, plant and equipment, land use rights, investment properties and equity interests of certain subsidiaries. In addition to pledge of our assets, Mr. Ou Zonghong, our Chairman and controlling shareholder, has also provided personal guarantee for the bank and other borrowings.

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
- if after-tax net profit is zero or negative or is insufficient to meet cumulative losses in prior years or if pre-tax net profit has not been used to repay principal interest and costs on the relevant loan due in the same year or is insufficient to repay principal, interest and costs on the relevant loan due on the next payment date.

In addition, pursuant to an asset right transfer and repurchase agreement dated June 8, 2016 entered into between Rongxin Fujian, as transferor and repurchaser, and a PRC bank as transferee, Rongxin Fujian has agreed to transfer its equity right (including earnings and other profit on shares) on 51% of the equity interest in its subsidiary, Rongxin (Xiamen) Property Development Company Limited ("Rongxin (Xiamen)"), to such bank for a consideration of RMB500.0 million (US\$75.2 million) and will repurchase such equity right in three years since the agreement date. As a result, Rongxin Fujian has no right to receive dividends from Rongxin (Xiamen) during the term of this agreement.

TRUST AND OTHER FINANCING

From time to time, our PRC subsidiaries enter into financing arrangements with local trust institutions, security companies and asset management companies. These local trust institutions, security companies and asset management companies provide loans for purposes of our project development in return for interest payments, and have terms ranging from six to 120 months. We have also entered into arrangements whereby our PRC subsidiaries' right to receive dividends or the proceeds from property sales or accounts receivables were sold and repurchased after a period of time. Some of our trust loans and other financing arrangements are guaranteed by our Company or secured by the relevant PRC subsidiaries' shares (through share pledge or ownership of shares) or land use rights in favor of the trust finance provider, or a combination of these. The trust loans and other financing arrangements contain customary events of default, including non-payment of principal or interest and breaches of the terms of the arrangements. If an event of default has occurred, the trust finance provider may, without prior notice, exercise its rights to realize the security held under the share pledge agreement and loan mortgage agreement, and demand payments from us as guarantor. As of June 30, 2016, the aggregate outstanding amount of trust and other borrowings amounted to RMB12,934.5 million (US\$1,946.2 million). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Trust and Other Borrowings" for more information.

PUBLIC CORPORATE BONDS

Rongxin Fujian, our wholly owned subsidiary in the PRC, issued a series of public corporate bonds which are listed and traded on the Shanghai Stock Exchange in an aggregate principal amount of RMB2.5 billion (US\$0.4 billion) to qualified investors in tranches. The first tranche was issued on December 23, 2015 in an amount of RMB1.2 billion (US\$0.2 billion) with a five-year term at a coupon rate of 6.4% per annum to repay the principal balance on our institutional borrowings after deducting the administrative expenses payable by us. The second tranche was issued on January 18, 2016 in an amount of RMB1.3 billion (US\$0.2 billion) with a five-year term at a coupon rate of 6.2% per annum. At the end of third year of each tranche, Rongxin Fujian has a right to adjust the coupon rate and the investor can exercise a retractable option or continue to extend the maturity date of the such tranche for another two years.

PRIVATE CORPORATE BONDS

RMB3.5 Billion Private Corporate Bonds

Rongxin Fujian issued corporate bonds which are listed and traded on the Shenzhen Stock Exchange in an aggregate principal amount of RMB3.5 billion (US\$0.5 billion) to qualified investors only in tranches (the “RMB3.5 billion Private Corporate Bonds”). The first tranche was issued on January 26, 2016 in an aggregate principle amount of RMB3.1 billion (US\$0.5 billion) with an initial two-year term at a coupon rate of 7.89% per annum. The second tranche was issued on February 19, 2016 in an aggregate principle amount of RMB0.4 billion (US\$0.1 billion) with an initial two-year term at a coupon rate of 7.6% per annum. At the end of second year of each tranche, Rongxin Fujian has a right to adjust the coupon rate, and the investor can exercise a retractable option or continue to extend the maturity date of such tranche for another two years.

RMB5.0 Billion Private Corporate Bonds

Rongxin Fujian issued corporate bonds which are listed and traded on the Shanghai Stock Exchange in an aggregate principal amount of RMB5.0 billion (US\$0.8 billion) to qualified investors only in tranches. The first tranche was issued on March 21, 2016 in an aggregate principle amount of RMB500.0 million (US\$75.2 million) with a three-year term at a coupon rate of 7.5% per annum. The second tranche of the RMB5.0 billion Private Corporate Bonds was issued on April 29, 2016 in an aggregate principle amount of RMB550.0 million (US\$82.8 million) with a three-year term at a coupon rate of 7.4% per annum. The third tranche of the RMB5.0 billion Private Corporate Bonds was issued on June 24, 2016 in an aggregate principle amount of RMB1.05 billion (US\$0.2 billion) with a three-year term at a coupon rate of 7.52% per annum. The fourth tranche of the RMB5.0 billion Private Corporate Bonds was issued on July 29, 2016 in an aggregate principle amount of RMB2.9 billion (US\$0.4 billion) with a three-year term at a coupon rate of 5.8% per annum. At the end of second year of each tranche, except the third tranche, Rongxin Fujian has a right to adjust the coupon rate, and the investor can exercise a retractable option or continue to extend the maturity date of such tranche for another one year term.

PERPETUAL CAPITAL INSTRUMENTS

First Entrusted Fund Agreement

Shanghai Qianpu Investment Consultancy Company Limited (“Shanghai Qianpu”), our wholly owned subsidiary in the PRC, entered into an entrusted fund agreement dated March 30, 2016, as investee, with a securities company in the PRC, as investor, and a licensed bank in Nanchong, Sichuan Province, as entrusted bank (the “First Entrusted Fund Agreement”), pursuant to which the securities company entrusted the licensed bank to extend an advancement of up to RMB2,000 million to Shanghai Qianpu. As of June 30, 2016, the securities company advanced an aggregate principal amount of RMB200 million to Shanghai Qianpu.

The First Entrusted Fund Agreement contains certain customary events of default.

Second Entrusted Fund Agreement

Rongxin Fujian entered into an entrusted fund agreement dated May 27, 2016, as investee, with an asset management company in the PRC, as investor, and a licensed bank in Shenzhen, Guangdong Province, as entrusted bank (the “Second Entrusted Fund Agreement”), pursuant to which the asset management company entrusted the licensed bank to extend an advancement of up to RMB1,000 million to Rongxin Fujian. As of June 30, 2016, the asset management company advanced an aggregate principal amount of RMB1,000 million to Rongxin Fujian.

The Second Entrusted Fund Agreement is guaranteed by the Company. Such Agreement contains certain customary events of default.

Trust Fund Agreement

Hemei (Shanghai) Property Development Company Limited (“Hemei Shanghai Property”), our non-wholly owned subsidiary in the PRC, entered into a trust fund agreement dated June 27, 2016, as investee, with a trust company in the PRC, as investor (the “Trust Fund Agreement”), pursuant to which the trust company agreed to extend an advancement of up to RMB500 million to Hemei Shanghai Property. As of June 30, 2016, the trust company advanced an aggregate principal amount of RMB500 million to Hemei Shanghai Property.

The Trust Fund Agreement is guaranteed by Rongxin Fujian. Such Agreement contains certain customary events of default.

ASSET-BACKED SECURITIES

Rongxin Fujian 2016 Asset-backed Securities

Rongxin Fujian issued three tranches of asset-backed securities with an aggregate principal amount of RMB880.0 million (US\$132.4 million) in the PRC in July 2016. The first tranche, Senior Tranche A, has a principal amount of RMB572.0 million (US\$86.1 million) with a coupon rate of 4.8% per annum and a term of three years. The second tranche, Senior Tranche B, has a principal amount of RMB255.2 million (US\$38.4 million) with a coupon rate of 5.4% per annum and a term of three years. The last tranche, the Subordinated Tranche, has a principal amount of RMB52.8 million (US\$7.9 million) with a term of three years, which was issued to our Company at a zero coupon rate. The Rongxin Fujian 2016 Asset-backed Securities are backed by certain account receivables for the balance payment of properties sold. The proceeds from the issuance of such securities are used for general working capital purposes. Our Company provide guarantees for the punctual performance by Rongxin Fujian of its shortfall payment obligations.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Ronshine China Holdings Limited (融信中國控股有限公司), a company incorporated with limited liability under the laws of the Cayman Islands, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes (other than as a JV Subsidiary Guarantor) 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 herein) is referred to as a “JV Subsidiary Guarantor”.

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, 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 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 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment 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 Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;
- effectively subordinated to all existing and future 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 (except for 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 “—Security” and will:

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

- rank effectively senior in right of payment to unsecured obligations of each Subsidiary Guarantor Pledgor to the extent of the Collateral pledged by such Subsidiary Guarantor Pledgor securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Company will initially issue US\$175,000,000 in aggregate principal amount of the Notes, which will mature on December 8, 2019, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “—Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will bear interest at 6.95% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on June 8 and December 8 of each year (each an “Interest Payment Date”), commencing June 8, 2017. Interest on the Notes will be paid to Holders of record at the close of business on May 24 or November 23 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 “Redemption for Taxation Reasons” and as 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 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 additional interest on the Notes shall accrue for the period after such date if payment is made on such next succeeding Business Day.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register maintained by the Registrar or by wire transfer. 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 those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”). All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the PRC Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. Although the Indenture contains limitations on

the amount of additional Indebtedness that Non-Guarantor Subsidiaries (as defined herein) 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.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries and Listed Subsidiaries), as soon as practicable and in any event within 30 days after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed 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 Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary (each such Person an “Offshore Non-Guarantor Subsidiary” and, together with the PRC Non-Guarantor Subsidiaries, the “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 (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20% of the Total Assets of the Company.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become Offshore Non-Guarantor Subsidiaries (such that they will no longer Guarantee the Notes) and (b) instruct the Security Agent to (i) discharge the pledge of the Capital Stock granted by each such Offshore 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 Offshore Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after 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 such Offshore Non-Guarantor Subsidiaries but excluding Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Company. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary 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.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than through 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.”

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, (ii) that is organized in any jurisdiction other than the PRC and (iii) in respect of which the Company or any Restricted Subsidiary (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the total outstanding Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase an Independent Third Party such that it becomes a Subsidiary of the Company and designate such entity as a Restricted Subsidiary, the Company may, concurrently with or as soon as practicable after the consummation of such sale or purchase, cause the provision of a JV

Subsidiary Guarantee instead of a Subsidiary Guarantee by (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, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (b) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee by any such Restricted Subsidiary 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) of 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:
 - (i) (A) a duly executed 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 (each, a “JV Subsidiary Guarantee”), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each such Restricted Subsidiary of such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee will be limited to the JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Security Agent for itself and for the benefit of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an 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) an Opinion of Counsel confirming that under New York law such JV Subsidiary Guarantee is the valid and binding obligation of the applicable JV Subsidiary Guarantor, enforceable against the applicable JV Subsidiary Guarantor in accordance with its terms (subject to customary qualifications and assumptions).

As of June 30, 2016, the Company and its subsidiaries (including the Non-Guarantor Subsidiaries) had total consolidated assets of approximately RMB63,267.4 million (US\$9,519.8 million) and total loans and borrowings of RMB25,732.1 million (US\$3,872.3 million), of which RMB17,555.9 million (US\$2,641.6 million) were secured.

As of June 30, 2016, the Non-Guarantor Subsidiaries had total debt of RMB30,975.0 million (US\$4,660.8 million), capital commitments of RMB17,030.4 million (US\$2,562.5 million) and contingent liabilities arising from guarantees of RMB13,293.1 million (US\$2,000.2 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (except for 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;

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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 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).

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 a first ranking security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under “—Security”; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor is not required to be secured (no JV Subsidiary Guarantor is required to pledge the shares of any Restricted Subsidiary that it holds).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary 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 respective rights 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.

No assurance can be given that the preceding provision limiting the maximum amount of each Subsidiary Guarantee or JV Subsidiary Guarantee will be given effect. If a Subsidiary Guarantee or 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 (if any) may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "—Defeasance—Defeasance and Discharge";
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger, consolidation, transfer or other disposition 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 described under "—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 (other than a Subsidiary of such Subsidiary Guarantor or JV Subsidiary Guarantor) and (2) the proceeds from such sale, merger, consolidation, transfer or other disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes an Offshore Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

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 Restricted Subsidiary 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 Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any Restricted Subsidiary from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any Restricted Subsidiary 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 or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such Subsidiary Guarantor that is being released from its Subsidiary Guarantee to deliver to the Trustee:
 - (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 by which it will no longer be a Subsidiary Guarantor and become a JV Subsidiary Guarantor and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee will be limited to the JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Security Agent for itself and for the benefit of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an 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) an Opinion of Counsel confirming that under New York law such JV Subsidiary Guarantee is the valid and binding obligations of the applicable JV Subsidiary Guarantor, enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee in accordance with its terms (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales", "Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under "—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 agreed, for the benefit of the Holders, to pledge, or cause the initial Subsidiary Guarantor Pledgor to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgor (the “Collateral”) on a first priority basis (subject to Permitted Liens described below and the Intercreditor Agreement, if any) on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. The Company and the initial Subsidiary Guarantor Pledgor have agreed to (a) execute one or more Security Documents granting to the Security Agent first priority Liens (subject to Permitted Liens and the Intercreditor Agreement, if any) on the Collateral and (b) take all requisite steps under applicable laws and undertake customary procedures in connection with the granting and perfection of the first priority Liens (subject to Permitted Liens and the Intercreditor Agreement, if any) on the Collateral and to promptly deliver to the Trustee and the Security Agent an Opinion of Counsel and Officers’ Certificate relating to each such pledge in form and substance as set forth in the Indenture.

The initial Subsidiary Guarantor Pledgor is Rongda Company Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.

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 pledge the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Security 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 to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor (or any additional Capital Stock of a JV Subsidiary Guarantor or a Subsidiary Guarantor acquired by the Company or a Subsidiary Guarantor after the Original Issue Date) as soon as practicable and in any event within 30 days after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor to secure (subject to Permitted Liens) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The value from 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, if any) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement, if any), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement, if any) 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 “—Security—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, if any, 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, if any). 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), any Subsidiary Guarantee and any Pari Passu Guarantee with respect to such Indebtedness (such Indebtedness of the Company, any Subsidiary Guarantee 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 described under “—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 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 and the Security Agent will be permitted and authorized, without the consent of, or notice to, any Holder, to enter into any Security Document or any amendment thereto or to 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 Indenture (including, without limitation, the appointment of any security agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for Indebtedness secured by certain Permitted Liens including 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

Prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the Trustee and the Security Agent will enter into an intercreditor agreement (the “Intercreditor Agreement”), which shall be in a form reasonably satisfactory to the Trustee and the Security Agent, without requiring any instruction or consent from the Holders, with the Company, the Subsidiary Guarantor Pledgors and the holders of such Permitted Pari Passu Secured Indebtedness (or their representatives). The Intercreditor Agreement will provide, among other things, (1) that the parties thereto shall 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; (3) that holders of any future Permitted Pari Passu Secured Indebtedness (or their respective representatives) that are secured by the Collateral shall also appoint the Security Agent to act as their security agent with respect to the Collateral; and (4) the conditions under which the parties thereto will enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

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 Indenture.

Enforcement of Security

The first priority Liens (subject to Permitted Liens and the Intercreditor Agreement, if any) securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, will be granted to the Security Agent. The Security Agent, subject to the Intercreditor Agreement (if any), 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 Trustee and any other Creditor Representative to exercise remedies under the Security Documents (subject to the terms of the Intercreditor Agreement, if any). The Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and/or the Intercreditor Agreement (if any) and to carry out certain other duties.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding and the Liens on the Collateral are not released pursuant to the terms of the Indenture, the Security Agent shall have the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all 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.

All payments received and all amounts held by the Security Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement (if any), applied as follows:

first, to the Security Agent to the extent necessary to reimburse the Security Agent, for itself and in its capacity as security agent, for any fees and expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with the Security Documents and the Intercreditor Agreement (if any) and in connection with expenses incurred in enforcing remedies under the Security Documents and the Intercreditor Agreement (if any) and preserving the Collateral and all amounts for which the Security Agent is entitled to indemnification under the Intercreditor Agreement (if any) or the Security Documents;

second, ratably to the Trustee, the Agents and any other Creditor Representatives, to the extent necessary to reimburse the foregoing persons ratably for any fees and expenses (including properly incurred fees and expenses of counsel) incurred in connection with the Indenture, the Security Documents and the Intercreditor Agreement (if any) and in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing remedies under the Debt Documents, Intercreditor Agreement (if any) and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Debt Documents, Intercreditor Agreement (if any) and the Security Documents;

third, ratably to each of the Trustee for the benefit of the Holders to satisfy outstanding obligations under the Notes and the Indenture and, to the extent applicable, to other Creditor Representatives for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness to satisfy outstanding obligations thereunder (in each case, to the extent not paid pursuant to the paragraphs above), in accordance with the terms of the relevant Debt Documents; and

fourth, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Security Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive written instructions of the Trustee or other Creditor Representative and/or indemnification and/or security to its satisfaction. In addition, the Security Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Agent's Liens on the Collateral. None of the Trustee, the Security Agent or any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the title, ownership, existence, genuineness, value, adequacy or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, registration, continuation, priority, sufficiency, insurance 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 Security Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Security Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Security Agent.

This section, "—Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "—Permitted 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 a defeasance and discharge of the Notes as provided below under "—Defeasance—Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants described under "—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "—Certain Covenants—Limitation on Asset Sales," or in accordance with the provision described under "—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 (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes an Offshore 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 Offshore Non-Guarantor Subsidiary; and
- 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, 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.

Optional Redemption

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. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

The Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.95% 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 originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

At any time on or after December 8, 2018, the Company may redeem any and all of the Notes at a redemption price of 103.475% plus accrued and unpaid interest to (but not including) the redemption date.

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 Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed or if the Notes are being held through the clearing systems, in compliance with the applicable requirements of such clearing systems; or
- (2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis or by lot, unless otherwise required by law or applicable depository or clearing system requirements.

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 upon a Change of Control Triggering Event 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, the Subsidiary Guarantors' and the JV 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.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

Redemption at the Option of Holders of the Notes

The Company shall, at the option ("Put Option") of any Holder, repurchase all of the Notes held by such Holder at any time on or after December 8, 2018 at 100.00% of the principal amount of such Notes plus accrued and unpaid interest, if any, to (but not including) the repurchase date (the "Put Option Settlement Date").

Repurchases of Notes under the Put Option shall be made, at the option of any Holder thereof, on the Put Option Settlement Date upon:

- (a) delivery to the Trustee (or other Paying Agent appointed by the Company) by such Holder of a duly completed and executed notice, which notice shall be delivered not less than 30 days nor more than 60

days prior to the Put Option Settlement Date and shall be irrevocable (the “Repurchase Notice”) in the form set forth in the Indenture; and

- (b) delivery or book-entry transfer of the Notes to the Trustee (or other Paying Agent appointed by the Company) at any time simultaneous to or after delivery of the Repurchase Notice (together with all necessary endorsements) at the office of the Trustee (or other Paying Agent appointed by the Company) at the time, such delivery being a condition to receive by such Holder of the purchase price therefor; *provided* that such purchase price shall be so paid under the Put Option only if the Notes so delivered to the Trustee (or other Paying Agent appointed by the Company) shall conform in all respects to the description thereof in the related Repurchase Notice.

The Company shall purchase from such Holder the Notes delivered with the Repurchase Notice if the principal amount is at least US\$200,000 or an integral multiples of \$1,000 in excess thereof.

The Trustee (or other Paying Agent appointed by the Company) shall promptly notify the Company of the receipt by it of any Repurchase Notice.

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 “—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, the PRC (each, as applicable, a “Relevant Taxing Jurisdiction”), or any jurisdiction through which payments are made (or any political subdivision or taxing authority thereof or therein) by or on behalf of the Company, a Surviving Person, or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor (together with each Relevant Taxing Jurisdiction, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or 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 (other than merely acquiring or 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, or

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 or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);
 - (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 law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
 - (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, 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, member or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all Holders.

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, the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional

Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor or JV 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 or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, 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 or procure to 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, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, addressed to the Trustee 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 and be entitled to rely conclusively on such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion, and is not obligated to verify any information in any certificate or opinion.

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 and any Subsidiary Guarantor may Incur Indebtedness

(including Acquired Indebtedness) and any Restricted Subsidiary other than a Subsidiary Guarantor may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary other than a Subsidiary Guarantor to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted *Pari Passu* Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any *Pari Passu* Guarantees;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; *provided* that such Indebtedness of Restricted Subsidiaries other than Subsidiary Guarantors 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 be 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 be 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 (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (o), (p), (q), (r), (t) or (u) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee 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 issued or 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, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (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 to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in interest rates, currencies or the price of commodities;

(g) Pre-Registration Mortgage Guarantees Incurred 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 a 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 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 such Restricted Subsidiary in a 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 assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount of all outstanding Indebtedness and Preferred Stock permitted and then outstanding under clauses (o), (p), (q), (t) and (u) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30.0% 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 disposition 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 another provision of this covenant 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 maturing within 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\$25.0 million (or the Dollar Equivalent thereof);

(o) Bank Deposit Secured Indebtedness Incurred by the Company or any 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 outstanding of such Indebtedness Incurred under this clause (o) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clause (h) above and clauses (p), (q), (t) and (u) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that on the date of Incurrence of all such Indebtedness and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness permitted under this clause (p) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred or Preferred Stock issued pursuant to clauses (h) and (o) above and clauses (q), (t) and (u) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(q) 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 all such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate

principal amount outstanding of all such Indebtedness Incurred or Preferred Stock issued pursuant to clauses (h), (o) and (p) above and clauses (t) and (u) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30.0% of Total Assets;

(r) 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\$25.0 million (or the Dollar Equivalent thereof);

(s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a 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.

(t) 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 outstanding of such Indebtedness Incurred under this clause (o) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clauses (h), (o), (p) and (q) above and clause (u) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(u) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (o) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clauses (h), (o), (p), (q) and (t) above (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% 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 or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in clause (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock 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 or Preferred Stock 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 Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary other than the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement;

(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 Subsidiary Guarantee or any JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under “—Limitation on Indebtedness and Preferred Stock”; or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of (without duplication):

(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 July 1, 2016 and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue 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

(ii) the amount by which Indebtedness of the Company or any Restricted Subsidiary 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 Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary 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

(iii) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person or other transfers of property, 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 Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue 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 Original Issue Date in any such Person; plus

(iv) US\$20.0 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 Subsidiary Guarantor or JV Subsidiary Guarantor 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 JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, 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;

(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) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;

(7) a Permitted Investment under clause (1) of the definition thereof in the Capital Stock of a Restricted Subsidiary held by a minority shareholder which Investment increases the proportion of Capital Stock of such Restricted Subsidiary held (directly or indirectly) by the Company;

(8) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person, *provided* that such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made (such date not to exceed 12 months from the date the Staged Acquisition Agreement was entered into) (the “Deadline Date”); *provided* further that in the event such Person does not become a Restricted Subsidiary on or before the Deadline Date, all payments previously made under this clause (8) shall be aggregated and constitute Restricted Payments made on the Deadline Date and such Restricted Payments must satisfy the other conditions under this “Limitations on Restricted Payments” covenant; or

(9) the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 20% of the profit for the year of the Company for each of the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2017; *provided that* the conditions of clauses (4)(a) and (4)(c) of the first paragraph of this “Limitation on Restricted Payments” would not be violated as a consequence of such declaration and payment of dividends;

(10) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under paragraph (2)(p) of the “Limitation on Indebtedness and Preferred Stock” covenant;

(11) 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);

(12) 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 (12) does not exceed an amount equal to 3% of Total Assets.

(13) (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

(14) 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 (5) 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 (14) 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, the Intercreditor Agreement (if any), or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Subsidiary 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, (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, transfer or other 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” and “—Consolidation, Merger and Sale of Assets” 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) or permitted under clause (2)(n), 2(o), 2(p), 2(q), 2(r), 2(s), 2(t) or 2(u) 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 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 Unrestricted Subsidiary or its Subsidiaries or the property or assets of such Unrestricted 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 or on a basis more favorable to the Company and its Restricted Subsidiaries;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "—Limitation on Asset Sales" covenant, *provided further* that, paragraph (c) of clause (19) of the definition of "Permitted Investment" shall not apply if such Investment would otherwise have been permitted under clause (19) of such definition; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any 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 is permitted by clauses (2)(c), (2)(d) or (2)(m)(ii) (in the case of clause (2)(m)(ii), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of cash deposits, one or more bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness) of the covenant described under "—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 and such JV Subsidiary Guarantor shall become 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 addressed to the Trustee 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 under “—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 employees, 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 employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any Restricted Subsidiary with directors,

officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto;

(7) any sale of real property by the Company or a Restricted Subsidiary in the ordinary course of business to employees, officers, directors or their respective family members at a discount from the listed price not greater than that applicable generally to all employees of the Company and its Subsidiaries with respect to such property; *provided* that (x) revenues from all such sales under this clause (7) in any fiscal year shall not exceed 1% of the revenues for that year as shown in the consolidated financial statements of the Company for that period in accordance with GAAP, (y) any such discount shall not be in excess of 10% of the Fair Market Value of the relevant property and (z) any such sale, individually or in the aggregate (if required to be aggregated under the Listing Rules of The Stock Exchange of Hong Kong Limited), would not require the Company to obtain approval from its shareholders (or seek a waiver from complying with such requirement) in order to comply with the listing rules of The Stock Exchange of Hong Kong Limited; and

(8) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (13) 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 and (iii) any transaction between or among (A) any of the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or (B) the Company or any Restricted Subsidiary on the one hand and any Minority Joint Venture or an Unrestricted Subsidiary on the other hand; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business, and (b) none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, 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, as the case may be).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary 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 Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably with the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or any Restricted Subsidiary, as the case may be, 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 under “—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 under “—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;

(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 permanently reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire Replacement Assets.

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 exceed 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 (or required to be prepaid or redeemed in connection with) 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 based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). 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 a Permitted Business as long as any Investment therein was not prohibited when made by the covenant described under “—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 with respect to any Additional Notes, as contemplated in the offering document in connection with the offering of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support 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 “—Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under “—Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance

with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “—Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under “—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 “—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 a Non-Guarantor Subsidiary, 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, if it is permitted to do so under the Indenture, a JV Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, and is not a Subsidiary of a JV Subsidiary Guarantor, all Capital Stock of such Restricted Subsidiary owned by the Company or any Subsidiary Guarantor 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 two of the three the Rating Agencies and no Default or Event of 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 described under the following captions will be suspended:

- (1) “—Limitation on Indebtedness and Preferred Stock”;

- (2) “—Limitation on Restricted Payments”;
- (3) “—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “—Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “—Limitation on the Company’s Business Activities”;
- (7) “—Limitation on Sale and Leaseback Transactions”; and
- (8) “—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 described under “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under “—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 deliver to 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 deliver to 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 and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 60 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(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 and in the English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters 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 certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors; 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 "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain Covenants—Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority Lien on the Collateral (subject to any Permitted Liens) in accordance with the provisions described under "—Security";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding or by the Trustee at the direction of such Holders;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary 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\$15.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such

involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;

(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 and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Security Agent ceases to have a first priority Lien in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement, if any).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may, and the Trustee at the request of such Holders shall (subject to the Trustee being indemnified and/or secured to its satisfaction by the Holders), 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 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, subject to the Indenture and the Intercreditor Agreement (if any), the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to the Trustee being indemnified and/or secured to its satisfaction by the Holders), direct the

Security Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as instructed by such Holders. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, conflicts with law or the Indenture or the Security Documents, that may involve the Trustee in personal liability, or that 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 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 provide the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and its Restricted Subsidiaries’ performance under the Indenture and that the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) have each 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 in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See “—Certain Covenants—Provision of Financial Statements and Reports.” Unless such written notice is received by the Trustee, the Trustee will not be deemed to have any knowledge of any Default or any Event of Default.

The Trustee and the Agents need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any Opinion of Counsel or Officers’ Certificate regarding whether an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of Bermuda, 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, the Intercreditor Agreement (if any) and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which payment is made, and the Indenture, the Notes, the Intercreditor Agreement (if any) 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 or Event of 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 proviso in clause (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant 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 "—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);

(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 proviso in clause (1) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;

(5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “—Certain Covenants—Limitation on Asset Sales” covenant or any Subsidiary Guarantor 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 and JV Subsidiary Guarantees—Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase under New York law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a merger or consolidation of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or by a JV Subsidiary Guarantor with or into the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, or a sale, transfer, conveyance or lease of any properties and assets by any Subsidiary Guarantor to the Company or any other Subsidiary Guarantor or by a JV Subsidiary Guarantor to the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or, in the case of a consolidation, merger, sale, transfer, consolidation, conveyance or lease or other disposition of a JV Subsidiary Guarantor into another JV Subsidiary Guarantor, such first mentioned JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions

of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee (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 from a firm 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 Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary 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 Waivers

Amendments Without Consent of Holders

The Indenture, the Intercreditor Agreement (if any) 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 (if any) 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 or Security Agent;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any other applicable clearing system;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Security agent to enter into the Intercreditor Agreement, or any supplements or amendments to the Intercreditor Agreement, the Security Documents or the Indenture, permitting the holders of Permitted Pari Passu Secured Indebtedness (or their representatives) to accede to the Intercreditor Agreement, as applicable, 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 or the JV Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Intercreditor Agreement (if any) 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 holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors with any provision of the Indenture, the Notes, the Intercreditor Agreement (if any) or any Security Document; *provided*, however, that no such 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, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (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 (if any), 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 (if any), 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 “—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 Subsidiary Guarantor or any JV Subsidiary Guarantor 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 Subsidiary Guarantor or JV Subsidiary Guarantor, 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 U.S. federal securities laws.

Concerning the Trustee and the Agents

Citicorp International Limited is to be appointed as Trustee under the Indenture and Citibank, N.A., London Branch is to be appointed as registrar (the “Registrar”), Citibank, N.A., London Branch has been appointed as transfer agent (the “Transfer Agent”) and paying agent (the “Paying Agent” and, together with the Registrar and Transfer Agent, 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 degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances 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 or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee and the Agents are permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates and shall not be obligated to account for any profits therefrom; *provided*, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

None of the Trustee, the Agents, the Security Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for any action taken or omitted by it, for the title, ownership, existence, genuineness, value, adequacy or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement (if any), for the creation, perfection, registration, priority, sufficiency, insurance 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, 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 Security Agent, any Agent, the security agent or any of their respective officers, directors, employees, attorneys or agents, as the case may be, was the primary cause of any loss to any Holder. The Trustee and the Agents shall be entitled to request and conclusively rely on any Opinion of Counsel and Officers’ Certificates and will not be liable for any loss occasioned by acting in reliance on such Opinion of Counsel or Officers’ Certificate.

Subject to the terms of the Security Documents, Citicorp International Limited will initially act as Security Agent under the Security Documents in respect of the Lien over the Collateral. The Security Agent 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 (if any) and the Security Documents. Under certain circumstances, the Security Agent may have obligations under the Security Documents or the Intercreditor Agreement (if any) 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 Security 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 provided to the Trustee and/or the Security Agent (as applicable) written directions to do so and 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, the Agents and the Security 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, the Agents and the Security Agent in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global notes in registered form without interest coupons attached (each a “Global Note”). 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 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 Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional Amounts.”

Under the terms of the Indenture, the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors 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 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 Paying Agent 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 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 immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

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 depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the Paying Agent for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. 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 by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor, (if intended for the Trustee) at the corporate trust office of the Trustee and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Service Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the 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.

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.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after December 8, 2019, 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 such Note, plus (y) all required remaining scheduled interest payments due on such Note through December 8, 2019 (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 Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or 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 Restricted Subsidiary to any Person; *provided* that “Asset Sale” shall not include:

(1) sales, transfers or other dispositions of inventory, receivables and other current assets (including, but not limited to, properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “—Certain Covenants—Limitation on Restricted Payments” covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 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 of any Lien not prohibited by “—Certain Covenants—Limitation on Liens”;

(6) a transaction covered by the covenant described under “—Consolidation, Merger and Sale of Assets”; and

(7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in 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, bank accounts or other assets 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 effect exchange currency or remit money onshore or offshore.

“Board of Directors” means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Luxembourg 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.

“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.

“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.

“Change of Control” means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;

(4) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election to the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes, 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 owned by the Company or a Subsidiary Guarantor.

“Commodity Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage the exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, 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 the remaining term of the Notes to be redeemed 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 December 8, 2019.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Company, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its other 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 reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(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 the accrual of revenue in the ordinary course of business and 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 Restricted Subsidiary 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), only to the extent such interest has become payable by the Company or any Restricted Subsidiary, and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or any Restricted Subsidiary;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains 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 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 quarterly, 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 Restricted Subsidiary, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or 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.

“Creditor Representatives” means the Trustee and the holders (or their representatives) of any Permitted Pari Passu Secured Indebtedness.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Debt Documents” means the Indenture and the documents evidencing or governing any Permitted Pari Passu Secured Indebtedness.

“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 (or options, warrants or other rights exercisable for) Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “—Certain Covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “—Certain Covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a 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, in each case to a person other than a Restricted Subsidiary or Permitted Holder; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii), results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Euroclear” means Euroclear Bank SA/NV.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of the 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.

“Fitch” means Fitch Ratings, Inc. and its affiliates or successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, 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 or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that

has become a Restricted Subsidiary or has been merged or consolidated 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 full fiscal quarters 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 the International Financial Reporting Standards as in effect from time to time.

“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 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, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock 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 or redemption price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be “Indebtedness”.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected as borrowings on the balance sheet of the Company or (2) Entrusted Loans (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.

“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 reduce or manage exposure to fluctuations in interest rates.

“Investment” means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person 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 Fair Market Value of the Company’s proportional interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “–” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns, or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “–” indication, or an equivalent rating representing one of the four highest rating categories, by S&P 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 Fitch, Moody’s or S&P or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by any PRC Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary 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; *provided* that such amount shall not 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.

“JV Subsidiary Guarantee” has the meaning set forth under “—The Subsidiary Guarantees and JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee for so long as such JV Subsidiary Guarantee has not been released in accordance with the Indenture.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiaries” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided* that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Minority Joint Entity” means any corporation, association or other business entity which 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.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates or 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 or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by sending a notice to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. 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 all applicable securities laws and regulations thereunder, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; *provided*, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion addressed to the Trustee from legal counsel who is reasonably acceptable to the Trustee.

"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 described under “—Certain Covenants—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 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 “—Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under “—Certain Covenants—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) (a) Ou Zhonghong, his spouse or immediate family members or any trust established by any of them for their own benefit or for the benefit of any of their immediate family members;

(2) any Affiliate (other than an Affiliate as defined in clauses (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by the 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 reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under “—Certain Covenants—Limitation on Asset Sales.”

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—Certain Covenants—Limitation on Liens”;

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;

(13) 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 Restricted Subsidiary and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;

(16) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets on the Company’s balance sheet to the extent each such advance or deposit is on normal commercial terms;

(17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

(18) repurchases of Notes; and

(19) 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 (a) or (b) of the first paragraph of the covenant described under “—Certain Covenants—Limitation on Transactions with Shareholders and Affiliates” covenant (other than by reason of such holder being an officer or director of the Company, a Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture);

(b) such Investment, together with (x) the aggregate of all other Investments made under this clause (19) since the Original Issue Date, less (y) an amount equal to the net reduction in all Investments made under this clause (19) 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 (19) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under this clause (19) 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 (19), will not exceed an aggregate amount equal to 15.0% of Total Assets;

(c) no Default has occurred and is continuing or would occur as a result of such Investment; and

(20) Guarantees permitted under clause (o), (t) or (u) of the second paragraph of the covenant described under the caption entitled “—Certain Covenants—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, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under “—Certain

Covenants—Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens on the Collateral 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;

(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 described under “—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 and 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 financial 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 Restricted Subsidiary in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens to secure Entrusted Loans;

(23) Liens Incurred on cash deposits, bank accounts or other assets to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(o) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;

(24) Liens securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;

(25) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor (including the sale or transfer of such Capital Stock to such Trust Company Investor) in respect of, and to secure, the Indebtedness or Preferred Stock permitted to be Incurred or issued under clause (2)(p) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(26) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted under clause (2)(q) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;

(27) Liens securing Indebtedness Incurred pursuant to clause (2)(r) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;

(28) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(s) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”; and

(29) Liens securing the Acquired Indebtedness Incurred under clause 2(u) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(30) Liens on assets of a Restricted Subsidiary securing any Permitted Subsidiary Indebtedness of another Restricted 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 Restricted Subsidiaries other than Subsidiary Guarantors; *provided* that, on the date of the Incurrence of such Indebtedness and after giving pro forma effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Public Indebtedness and any Indebtedness of any Restricted Subsidiary other than a Subsidiary Guarantor permitted under clauses 2(a), (2)(b), (2)(d), (2)(f) and (2)(g) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding, solely for purposes of “Description of the Notes”, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on 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.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms 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.

“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.

“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, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange 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).

“Rating Agencies” means (1) Fitch, (2) Moody’s and (3) S&P; *provided* that if Fitch, Moody’s, S&P, two of any of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Fitch, Moody’s, S&P, two of any of the three or all three of them, as the case may be.

“Rating Category” means (1) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D”(or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D”(or equivalent successor categories); (3) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (4) the equivalent of any such category of Fitch, Moody’s or S&P 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 Fitch; “1,” “2” and “3” for Moody’s and “+” and “–” for S&P; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch, a decline in a rating from “BB+” to “BB,” as well as from “BB–” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under “—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 “—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 all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agency shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Treasury Dealer” means each of any three investment banks of 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 of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and will, upon the acquisition by the Company or any Restricted Subsidiary of such Capital Stock, become a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates or successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee, the Security Agent 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 any Restricted Subsidiary, or any group of Restricted Subsidiaries that, taken together, would be “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of this Indenture, if any of the conditions exceeds 5 percent.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal or of 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 that 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, any corporation, association or other business entity of which (i) 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 an Investment made by such Person equal to the Fair Market Value of the Capital Stock of such corporation, association or other business entity held by such person immediately after the occurrence of such event.

“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” does 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 the 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 “Subsidiary Guarantor Pledgor” does 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;

(2) demand or 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 or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts its business operations 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; and

(8) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts its business operations.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in 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 Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness; and *provided* further that with respect to the calculation of the percentage of Total Assets represented by the Consolidated Assets of the Offshore Non-Guarantor Subsidiaries, the amount of Total Assets shall be calculated after giving pro forma effect to any sale or issuance of Capital Stock to relevant Independent Third Parties.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution, including but not limited to a bank, a trust company, a securities management company, an asset management company or an insurance company organized, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“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, British Virgin 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 (2011 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (2011 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 (2011 Revision).

These concessions shall be for a period of 20 years from September 30, 2014.

BRITISH VIRGIN ISLANDS

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes. **Profits Tax.** Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue

Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

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 FenXun Partners, 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% (which in the case of interest may be withheld at source) where the holder is an individual pursuant to PRC individual income tax laws. See “Risk Factors—Risks Relating to Our Business—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

Under the terms and subject to the conditions contained in a purchase agreement dated December 1, 2016 Purchaser named below (the “Purchase Agreement”) among UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, AMTD Asset Management Limited and ICBC International Securities Limited, as the Initial Purchasers, on the one hand, and us and the Subsidiary Guarantors, on the other hand, each Initial Purchaser named below has severally agreed to purchase from us, and we have agreed to sell to that Initial Purchaser, the principal amount of the Notes set forth opposite the Initial Purchaser’s name below.

<u>Initial Purchaser</u>	<u>Principal Amount</u>
UBS AG Hong Kong Branch	US\$ 52,500,000
Haitong International Securities Company Limited	US\$ 52,500,000
Guotai Junan Securities (Hong Kong) Limited	US\$ 29,750,000
AMTD Asset Management Limited	US\$ 29,750,000
ICBC International Securities Limited	US\$ 10,500,000
Total	US\$175,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is several and not joint and subject to the approval of certain legal matters by their counsel and certain other conditions. The Initial Purchasers are committed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates and may provide such affiliates an opportunity to purchase some of the Notes in the initial offering.

We and the Subsidiary Guarantors have agreed to jointly and severally indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof. In addition, we and the Subsidiary Guarantors have agreed to jointly and severally reimburse the Initial Purchasers for certain expenses incurred in connection with the offering of the Notes.

The Notes are a new issue of securities with no established trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. In connection with the offering of the Notes, UBS AG Hong Kong Branch as the stabilization manager may, on behalf of the Initial Purchasers, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may over allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities, which may be effected in the over-the-counter market or otherwise, may stabilize or maintain the market price of the Notes above independent market levels. However, the Initial Purchasers are not obligated or required to engage in these activities, and may end any of these activities at any time at their sole discretion without prior notice. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

We have agreed that we will not, during the period beginning on the date hereof and continuing to the date that is 20 days after the date of delivery of the Notes specified on the cover page of this offering memorandum (both dates inclusive), without the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any securities of the Company (or guaranteed by the Company) that are substantially similar to the Notes and the Subsidiary Guarantees (other than any securities offered primarily in the PRC).

We expect that delivery of the Notes will be made against payment therefor on or about December 8, 2016 which we expect will be the fifth business day following the pricing date of the Notes (this settlement cycle being referred to as “T+5”). 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+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

Investors who purchase Notes from the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this offering memorandum.

We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

We and the Subsidiary Guarantors will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the offering. In addition, we and the Subsidiary Guarantors have agreed with the Initial Purchasers that private banks be paid a commission in connection with the purchase of the Notes by their private bank clients, which commission may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

The Initial Purchasers and their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory brokerage, wealth management, private equity and investment banking services, for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses. Furthermore, we may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with the offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

SELLING RESTRICTIONS

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

United Kingdom

Each of the Initial Purchasers (a) has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the Notes and the Subsidiary Guarantees in, from or otherwise involving the United Kingdom; and (b) has 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 FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to it.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Initial Purchaser has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell the Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, and will not circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA 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 or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (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.

Hong Kong

Each Initial Purchaser (a) has not offered or sold or will not offer or sell in Hong Kong, by means of any document, any Notes other than (1) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made under that Ordinance; or (2) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; or (b) has not issued or had in its possession for the purposes of issue or will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes and the Subsidiary Guarantees, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and, accordingly, will not be offered or sold, directly or

indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

Cayman Islands

No Notes will be offered or sold in the Cayman Islands.

People's Republic of China

The Initial Purchasers have represented and agreed that they have not circulated and will not circulate the Offering Memorandum and they have not offered or sold and will not offer or sell the Notes, directly or indirectly, in the People's Republic of China (for such purpose, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the EU Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that, with effect from and including the date on which the EU Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- (a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), as permitted under the EU Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the EU Prospectus Directive,

provided that no such offer of Notes shall require us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the EU Prospectus Directive.

For the purposes of the above paragraph, the expression "an offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State, the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

GENERAL

No action is being taken or is contemplated by us that would permit a public offering of the Notes or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of, the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, in an offshore transaction in accordance with Regulation S;
2. represent that it is purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a purchaser that is outside the United States, not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act;
3. acknowledge that the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to registration under the Securities Act;
4. agree that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;
5. understand that the Notes will be represented by the Global Certificate and that transfers thereto are restricted as described under “Description of the Notes — Book-Entry; Delivery and Form”;
6. acknowledge that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Registrar, the Paying Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained herein, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
7. acknowledge that neither the Company nor the Subsidiary Guarantors nor the Initial Purchasers nor any person representing the Company nor the Subsidiary Guarantors or the Initial Purchasers has made any representation with respect to the Company or the offering of the Notes, other than the information contained in this offering memorandum, and agree that it has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase the Notes including an opportunity to ask questions of and request information from us;
8. represent that it is relying only on this offering memorandum in making its investment decision with respect to the Notes;
9. acknowledge that each Note will contain a legend substantially to the following effect.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

RATINGS

The Notes are rated B+ by Fitch Ratings, B- by Standard & Poor's Rating Services and B3 by Moody's Investors Services and we do not expect the ratings to change as a result of the issuance of the Notes. 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 are expected to be rated B+ with a stable outlook by Fitch Ratings, B with a stable outlook by Standard & Poor's Rating Services and 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, FenXun Partners as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Skadden, Arps, Slate, Meagher & Flom LLP as to matters of United States federal and New York law and All Bright Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

The financial information as of and for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 set out in the accountant's report and the consolidated financial statements as of and for the year ended December 31, 2015 included in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their reports appearing herein. The unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2016 have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Such unaudited interim condensed consolidated financial information is not audited and accordingly the degree of reliance on such information should be restricted in light of the limited nature of the review procedure applied.

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 December 1, 2016 and the entering into of the Indenture and the giving of the Subsidiary Guarantees have been authorized by resolutions of the board of directors of each Subsidiary Guarantor dated December 1, 2016.

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.

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 June 30, 2016 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 accountant's reports and/or our published financial statements, if any, including the accountant's 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 Notes is set forth below:

	ISIN	Common Code
Notes	XS1528955773	152895577

Listing of the Notes

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are 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. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, 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, 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.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2016⁽¹⁾

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Audited consolidated financial statements as of and for the year ended December 31, 2015⁽²⁾

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Audited financial information as of and for the year ended December 31, 2012, 2013 and 2014 and as of and for the six month ended June 30, 2015⁽³⁾

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Notes:

1. The attached unaudited interim condensed consolidated financial information as of and for the six months ended is a reproduction of the Company's interim report for the six months ended June 30, 2016 and page references are references to pages set forth in such interim report.
2. The attached independent auditor's report on our consolidated financial information as of and for the years ended December 31, 2015 is a reproduction of the Company's annual report for the years ended December 31, 2015 and page references are references to pages set forth in such annual report.
3. The attached accountant's report on our consolidated financial information as of and for each of the year ended December 31, 2012, 2013 and 2014 and as of and for the six months ended June 30, 2015 is a reproduction of Appendix I to the Company's prospectus for our initial public offering dated December 31, 2015.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	Note	2016 <i>RMB'000</i> <i>(Unaudited)</i>	2015 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue	7	6,983,410	2,106,515
Cost of sales		(5,698,424)	(1,485,204)
Gross profit		1,284,986	621,311
Selling and marketing costs		(237,573)	(166,162)
Administrative expenses		(183,373)	(119,820)
Fair value gains on the remeasurement of joint ventures	27	278,074	—
Fair value gains on investment properties	12	9,000	—
Other income		4,750	4,716
Operating profit		1,155,864	340,045
Finance income – net	9	41,274	5,674
Share of profits of investments accounted for using the equity method, net	13	305,241	116,772
Profit before income tax		1,502,379	462,491
Income tax expenses	10	(485,585)	(181,407)
Profit for the period		1,016,794	281,084
Profit for the period attributable to:			
Owners of the Company		858,164	288,806
Non-controlling interests		133,661	(7,722)
Holders of Perpetual Capital Instruments		24,969	—
		1,016,794	281,084
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	11	0.65	0.29

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	1,016,794	281,084
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>1,016,794</u>	<u>281,084</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	858,164	288,806
Non-controlling interests	133,661	(7,722)
Holders of Perpetual Capital Instruments	24,969	<u>—</u>
	<u>1,016,794</u>	<u>281,084</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,052,657	840,824
Land use rights	12	487,975	483,787
Investment properties	12	3,328,000	—
Intangible assets		4,722	2,774
Investments accounted for using the equity method	13	1,831,412	2,534,738
Available-for-sale financial assets		46,000	46,000
Deferred tax assets		213,314	151,282
		<u>6,964,080</u>	<u>4,059,405</u>
Current assets			
Properties under development	14	27,158,681	23,338,429
Completed properties held for sale	14	7,245,754	1,301,888
Trade and other receivables and prepayments	15	8,458,831	1,868,565
Amounts due from customers for contract works		256,534	143,361
Prepaid taxation		358,232	205,499
Available-for-sale financial assets		—	41,000
Term deposits with initial terms of over three months		—	1,021,799
Restricted cash	16	526,339	74,458
Cash and cash equivalents	17	12,298,983	2,742,466
		<u>56,303,354</u>	<u>30,737,465</u>
Total assets		<u>63,267,434</u>	<u>34,796,870</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	18	12	—
Share premium	18	2,485,669	989,745
Other reserves		4,550,662	3,312,777
		<u>7,036,343</u>	<u>4,302,522</u>
Non-controlling interests		5,614,509	770,210
Perpetual Capital Instruments	20	1,721,275	—
Total equity		<u>14,372,127</u>	<u>5,072,732</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	21	17,961,732	6,926,063
Deferred income tax liabilities		1,405,506	—
		<u>19,367,238</u>	<u>6,926,063</u>
Current liabilities			
Trade and other payables	22	5,343,124	2,273,632
Amounts due to related parties	25	113,316	265,007
Pre-sale proceeds received from customers		14,859,067	10,083,124
Current income tax liabilities		1,439,162	729,812
Borrowings	21	7,773,400	9,446,500
		<u>29,528,069</u>	<u>22,798,075</u>
Total liabilities		48,895,307	29,724,138
Total equity and liabilities		63,267,434	34,796,870

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital RMB'000 (Note 18)	Share premium RMB'000 (Note 18)	Capital reserves RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 20)	Total equity RMB'000
Six months ended 30 June 2016									
(Unaudited)									
Balance at 1 January 2016	—	989,745	1,023,290	337,228	1,952,259	4,302,522	770,210	—	5,072,732
Comprehensive income									
– Profit for the period	—	—	—	—	858,164	858,164	133,661	24,969	1,016,794
– Other comprehensive income	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	858,164	858,164	133,661	24,969	1,016,794
Transactions with owners in their capacity as owners									
Issue of shares in connection with the capitalisation issue (Note 18(a))	9	(9)	—	—	—	—	—	—	—
Issue of shares in connection with the Company's listing (Note 18(b))	3	1,540,694	—	—	—	1,540,697	—	—	1,540,697
Share issuance costs (Note 18(b))	—	(44,761)	—	—	—	(44,761)	—	—	(44,761)
Dividend of a subsidiary	—	—	—	—	—	—	(414,760)	—	(414,760)
Acquisition of a subsidiary (Note 28)	—	—	—	—	—	—	740,000	—	740,000
Change from joint ventures to subsidiaries (Note 27)	—	—	—	—	—	—	2,688,342	—	2,688,342
Issuance of Perpetual Capital Instruments (Note 20)	—	—	—	—	—	—	—	3,200,000	3,200,000
Redemption of Perpetual Capital Instruments (Note 20)	—	—	—	—	—	—	—	(1,500,000)	(1,500,000)
Distribution made to holders of Perpetual Capital Instruments (Note 20)	—	—	—	—	—	—	—	(3,694)	(3,694)
Capital injections from non-controlling interests	—	—	379,721	—	—	379,721	1,697,056	—	2,076,777
Total transactions with owners in their capacity as owners	12	1,495,924	379,721	—	—	1,875,657	4,710,638	1,696,306	8,282,601
Balance at 30 June 2016	12	2,485,669	1,403,011	337,228	2,810,423	7,036,343	5,614,509	1,721,275	14,372,127
Six months ended 30 June 2015									
(Unaudited)									
Balance at 1 January 2015	—	—	164,203	163,493	693,181	1,020,877	8,169	—	1,029,046
Comprehensive income									
– Profit/(loss) for the period	—	—	—	—	288,806	288,806	(7,722)	—	281,084
– Other comprehensive income	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	288,806	288,806	(7,722)	—	281,084
Transactions with owners in their capacity as owners									
Capital injections from non-controlling interests	—	—	703,333	—	—	703,333	639,267	—	1,342,600
Balance at 30 June 2015	—	—	867,536	163,493	981,987	2,013,016	639,714	—	2,652,730

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	812,951	414,836
PRC corporate income tax paid	(225,894)	(56,048)
PRC land appreciation tax paid	(294,782)	(198,472)
Net cash generated from operating activities	292,275	160,316
Cash flows from investing activities		
Payments for purchase of property and equipment	(103,827)	(167,523)
Payment for purchase of intangible assets	(692)	(193)
Proceeds from disposal of property and equipment	2,750	1,294
Capital injections to joint ventures	(1,401,701)	(243,500)
Acquisition of a subsidiary, net of cash acquired	(1,540,326)	—
Cash acquired from change of joint ventures to subsidiaries	72,555	—
Payments for acquisitions of available-for-sale financial assets	(198,000)	(46,000)
Proceeds from disposals of available-for-sale financial assets	239,000	20,000
Cash advance to related parties	(304,000)	—
Repayments from related parties	—	698,881
Interest received	26,467	5,674
Decrease in term deposits with initial terms of over three months	1,021,799	—
Net cash (used in)/generated from investing activities	(2,185,975)	268,633

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cash flows from financing activities			
Proceeds from borrowings		19,799,359	7,581,700
Repayments of borrowings		(14,800,893)	(6,597,850)
Issuance of Perpetual Capital Instruments		3,200,000	—
Redemption of Perpetual Capital Instruments		(1,500,000)	—
Distribution to holders of Perpetual Capital Instruments		(3,694)	—
Cash advances from related parties		2,775,508	52,000
Issuance of shares in connection with the Company's listing		1,540,697	—
Share issuance costs		(35,214)	—
Repayments to related parties		(151,691)	(1,530,875)
Capital injections from non-controlling interests		2,069,040	1,342,600
Dividends paid to the then shareholders of group companies		—	(338,000)
Interest paid		(1,005,821)	(1,047,705)
Restricted cash pledged for borrowings		(451,881)	(866,431)
Restricted cash released		—	1,161,741
Net cash generated from/(used in) financing activities		11,435,410	(242,820)
Net increase in cash and cash equivalents		9,541,710	186,129
Cash and cash equivalents at beginning of the period		2,742,466	657,637
Exchange gains on cash and cash equivalents		14,807	—
Cash and cash equivalents at end of the period	17	12,298,983	843,766

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Ronshine China Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together the “Group”) are principally engaged in property development business in the People’s Republic of China (the “PRC”).

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange Hong Kong Limited (the “Stock Exchange”), a reorganisation (the “Reorganisation”) was undertaken pursuant to which the Company became the holding company of the group companies comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 31 December 2015.

The Company’s shares were listed on the Main Board of The Stock Exchange Hong Kong Limited (the “Stock Exchange”) on 13 January 2016 (the “Listing Date”).

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board on 22 August 2016.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements of the Group for the year ended 31 December 2015, as described in those annual financial statements.

- (a) New standards, amendments to standards adopted by the Group from 1 January 2016.

The following new standards, amendments to standards are mandatory for the Group’s financial year beginning on 1 January 2016. The adoption of these new standards, amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKAS 27 (Amendment)	Equity method in separate financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(continued)*

Annual improvements 2014	Annual improvements 2012 – 2014 cycle
HKAS 1 (Amendment)	Disclosure initiative
HKFRS 14	Regulatory deferral accounts
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants

- (b) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes (Note 3(b)).

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (include foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

The Group's businesses are principally conducted in RMB. As at 30 June 2016, the non-RMB assets and liabilities of the Group are mainly cash and cash equivalents (Note 17) denominated in United States Dollars ("USD") or Hong Kong Dollars ("HK\$"). The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

There have been no changes in the risk management policies since year end of 2015.

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Liquidity risk *(continued)*

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2016					
Borrowings (Note)	9,522,673	9,944,776	8,950,641	1,313,305	29,731,395
Trade and other payables, excluding accrual for staff costs and allowances, other taxes payable . . .	5,126,514	—	—	—	5,126,514
Amounts due to related parties	113,316	—	—	—	113,316
Financial guarantee	13,293,082	—	—	—	13,293,082
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2015					
Borrowings (Note)	10,656,631	5,349,804	2,592,223	—	18,598,658
Trade and other payables, excluding accrual for staff costs and allowances, other taxes payable . . .	2,177,971	—	—	—	2,177,971
Amounts due to related parties	265,007	—	—	—	265,007
Financial guarantee	9,444,335	—	—	—	9,444,335
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Interest on borrowings is calculated on borrowings held as at 30 June 2016 and 31 December 2015, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2016 and 31 December 2015, respectively.

5.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Capital management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents, restricted cash and term deposits with initial terms of over three months.

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Total borrowings (Note 21)	25,735,132	16,372,563
Less: Cash and cash equivalents (Note 17)	(12,298,983)	(2,742,466)
Term deposits with initial terms of over three months	—	(1,021,799)
Restricted cash (Note 16)	(526,339)	(74,458)
Net borrowings	12,909,810	12,533,840
Total equity	14,372,127	5,072,732
Gearing ratio	0.90	2.47

5.4 Fair value estimation

Certain of the assets of the Group are carried at fair value or where fair value was disclosed can be categorised by level of inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The available-for-sale financial assets and investment properties are measured at fair value, which is grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, are used to determine fair value for the available-for-sale financial assets and investment properties. There were no changes in level 3 instruments during the six months ended 30 June 2016 (six months ended 30 June 2015: same).

The Group's financial assets include cash and cash equivalents, restricted cash, trade and other receivables, amounts due from customers for contract works, available-for-sale financial assets and term deposits with initial terms of over three months. The Group's financial liabilities include trade and other payables, amounts due to related parties and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

6 SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(continued)*

The Group is principally engaged in the property development in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Executive Directors regard that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the Executive Directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

As at 30 June 2016, all of non-current assets of the Group were located in the PRC (31 December 2015: same).

There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

7 REVENUE

Revenue of the Group for the six month ended 30 June 2016 is as follow:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Revenue from sales of properties	6,865,200	2,073,632
Revenue from construction contracts	92,701	32,883
Rental income	25,509	—
	<u>6,983,410</u>	<u>2,106,515</u>

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cost of properties sold (excluding staff costs)	5,196,934	1,322,751
Cost of construction contracts (excluding staff costs)	85,146	29,692
Staff costs (including directors' emoluments)	141,779	75,184
Business taxes and other taxes	411,698	126,021
Marketing and advertising costs	127,124	115,761
Office lease payments	12,126	11,929
Property management fees	21,004	17,199
Depreciation (Note 12)	6,334	7,438
Listing expenses	3,834	7,081
Donations	16,320	850
Auditors' remuneration	1,926	338
Amortisation of intangible assets	637	530

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 FINANCE INCOME – NET

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Finance costs		
– Bank and other borrowings	1,005,773	1,099,009
– Less: capitalised interest	(1,005,773)	(1,099,009)
	—	—
Finance income		
– Interest income from bank deposits	26,467	5,674
– Net foreign exchange gains	14,807	—
Finance income – net	41,274	5,674

10 INCOME TAX EXPENSES

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current income tax:		
PRC corporate income tax	238,716	87,937
Land appreciation tax (“LAT”)	244,068	121,492
	482,784	209,429
Deferred income tax	2,801	(28,022)
	485,585	181,407

Hong Kong profits tax

The applicable Hong Kong profit tax rate is 16.5% for the six months ended 30 June 2016 (six months ended 30 June 2015: 16.5%). No Hong Kong profit tax has been provided for the six months ended 30 June 2016 as the Group did not have any assessable profits (six months ended 30 June 2015: same).

PRC corporate income tax

The income tax provision of the Group in respect of operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the PRC (the “CIT Law”) effective on 1 January 2008.

LAT

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 INCOME TAX EXPENSES *(continued)*

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "BVI") was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2016 and 2015. In determining the weighted average number of ordinary shares in issue, 100 shares issued during the Reorganisation and 1,012,499,000 shares issued by way of capitalisation were deemed to have been issued since 1 January 2015.

	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	858,164	288,806
Weighted average number of shares in issue	1,329,622,055	1,012,499,100
Basic earnings per share (RMB per share)	0.65	0.29

The Company did not have any potential ordinary shares outstanding for the six months ended 30 June 2016 (six months ended 30 June 2015: same). Diluted earnings per share is equal to basic earnings per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INVESTMENT PROPERTIES

	Property, plant and equipment RMB'000 (Note (a))	Land use rights RMB'000 (Note (b))	Investment properties RMB'000 (Note (c))
Six months ended 30 June 2016			
Opening net book amount	840,824	483,787	—
Additions	121,362	—	—
Acquisition of a subsidiary and consolidations of entities previously held as joint ventures (Note 27, 28)	98,818	10,682	3,319,000
Disposals	(2,013)	—	—
Fair value gains on investment properties	—	—	9,000
Depreciation and amortisation	(6,334)	(6,494)	—
Closing net book amount	<u>1,052,657</u>	<u>487,975</u>	<u>3,328,000</u>
Six months ended 30 June 2015			
Opening net book amount	463,864	498,590	—
Additions	176,450	—	—
Disposals	(744)	—	—
Depreciation and amortisation	(7,438)	(6,494)	—
Closing net book amount as at 30 June 2015	<u>632,132</u>	<u>492,096</u>	<u>—</u>

- (a) Certain property, plant and equipment of the Group with carrying amounts of RMB931,783,000 as at 30 June 2016 (31 December 2015: RMB434,910,000) was pledged as collateral for the Group's borrowings (Note 21).
- (b) Land use rights with a total carrying amount of RMB477,293,000 as at 30 June 2016 (31 December 2015: RMB483,787,000) were pledged as collateral for the Group's borrowings (Note 21).
- (c) The Group measures its investment properties at fair value. The fair value of the Group's investment properties as at 30 June 2016 has been determined on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuer.

Fair values of the Group's investment properties is derived using the income approach. This valuation method is taking into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

The main Level 3 inputs used by the Group include term yield, revisionary yield and rent income.

Increase in term yield and revisionary yields may result in decrease of fair value. Increase in rent income may result in increase of fair value.

As at 30 June 2016, investment properties of RMB3,328,000,000 (31 December 2015: not applicable) were pledged as collateral for the Group's bank borrowings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments accounted for using the equity method

(i) The amounts recognised in the consolidated balance sheet are as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Joint ventures	1,738,309	2,440,419
An associate	93,103	94,319
	<u>1,831,412</u>	<u>2,534,738</u>

(ii) The amounts recognised in the consolidated income statement are as follows:

	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Joint ventures	306,457	118,111
An associate	(1,216)	(1,339)
	<u>305,241</u>	<u>116,772</u>

(iii) The movement of investments in joint ventures are as follows:

	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Opening balances	2,440,419	2,258,165
Capital injections	1,401,701	243,500
Fair value gains on the remeasurement of joint ventures (Note 27)	278,074	—
Deemed disposals of joint ventures (Note 27)	(2,688,342)	—
Share of profits—net	306,457	118,111
	<u>1,738,309</u>	<u>2,619,776</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Set out below are major joint ventures and an associate of the Group as at 30 June 2016. The place of incorporation or registration is also their principal place of business.

Name of entity		Place of business/ place of incorporation	% of ownership interest	Measurement method	Principal activities
Joint ventures					
福州利博順泰 房地產開發 有限公司	Fuzhou Liboshuntai Property Development Co., Ltd. ("Fuzhou Liboshuntai")	PRC	50%	Equity	Property development
海融(漳州)房地產 有限公司	Hairong (Zhangzhou) Property Co., Ltd.	PRC	50%	Equity	Property development
上海愷泰房地產 開發有限公司	Shanghai Kaitai Property Development Co., Ltd. ("Shanghai Kaitai")	PRC	50%	Equity	Property development
上海愷岱房地產 開發有限公司	Shanghai Kaidai Property Development Co., Ltd.	PRC	50%	Equity	Property development
Associate					
漳州市萬科濱江 置業有限公司	Zhangzhou City Wankebinjiang Property Co., Ltd.	PRC	20%	Equity	Property development

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures

- (i) Set out below is the summarised financial information for Fuzhou Liboshuntai, which is material to the Group.

Summarised balance sheet

	30 June 2016 RMB'000	31 December 2015 RMB'000
ASSETS		
Non-current assets		
Other non-current assets	64	88
	<u>64</u>	<u>88</u>
Current		
Properties under development	—	509,727
Completed properties held for sale	436,883	447,312
Amounts due from shareholders	574,010	574,010
Trade and other receivables	12,289	107,570
Prepaid income tax	—	22,560
Cash and cash equivalents	262,895	248,719
	<u>1,286,077</u>	<u>1,909,898</u>
Total assets	<u>1,286,141</u>	<u>1,909,986</u>
LIABILITIES		
Non-current liabilities		
Borrowings	—	195,000
Current liabilities		
Borrowings	200,000	150,000
Advances received from pre-sales of properties	21,694	1,336,290
Trade and other payables	378,372	62,000
Current income tax liabilities	193,266	—
	<u>793,332</u>	<u>1,548,290</u>
Total liabilities	<u>793,332</u>	<u>1,743,290</u>
Net assets	<u>492,809</u>	<u>166,696</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures *(continued)*

- (i) Set out below is the summarised financial information for Fuzhou Liboshuntai, which is material to the Group. *(continued)*

Summarised income statement and statement of comprehensive income

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue	1,634,485	—
Cost of sales	(1,188,364)	—
Selling and marketing costs	(7,313)	(4,838)
Administrative expenses	(5,015)	(4,102)
Interest income	244	257
Other income/(expense), net	791	(28)
Profit/(loss) before income tax	434,828	(8,711)
Income tax (expenses)/credit	(108,715)	2,178
Profit/(loss) for the period from continuing operations	326,113	(6,533)
Other comprehensive income	—	—
Total comprehensive income/(loss) for the period	326,113	(6,533)
The joint venture's commitments	—	678,518
The joint venture's financial guarantee contracts	1,336,038	949,238

No dividend has been paid or declared by Fuzhou Liboshuntai since its establishment.

- (ii) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Fuzhou Liboshuntai.

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening net assets	166,696	27,330
Profit/(loss) for the period	326,113	(6,533)
Other comprehensive income	—	—
Closing net assets	492,809	20,797
The Group's investment in the joint venture	246,405	10,399
Carrying value	246,405	10,399

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures *(continued)*

(iii) Set out below is the summarised financial information for Shanghai Kaitai, which is material to the Group.

Summarised balance sheet

	30 June 2016 RMB'000	31 December 2015 RMB'000
ASSETS		
Non-current assets		
Deferred tax assets	—	4,143
Other non-current assets	40	49
	<u>40</u>	<u>4,192</u>
Current		
Properties under development	5,190,989	6,082,054
Completed properties held for sale	937,804	—
Trade and other receivables	71,208	36,750
Prepaid income taxes	—	21,266
Cash and cash equivalents	659,933	609,651
	<u>6,859,934</u>	<u>6,749,721</u>
Total assets	<u>6,859,974</u>	<u>6,753,913</u>
LIABILITIES		
Non-current liabilities		
Borrowings	743,820	593,820
Current liabilities		
Advances received from pre-sales of properties	1,418,764	1,057,158
Amounts due to shareholders	1,710,271	1,425,536
Trade and other payables	761,358	1,679,830
Current income tax liabilities	57,533	—
	<u>3,947,926</u>	<u>4,162,524</u>
Total liabilities	<u>4,691,746</u>	<u>4,756,344</u>
Net assets	<u>2,168,228</u>	<u>1,997,569</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures *(continued)*

(iii) Set out below is the summarised financial information for Shanghai Kaitai, which is material to the Group. *(continued)*

Summarised income statement and statement of comprehensive income

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue	654,206	—
Cost of sales	(425,019)	—
Selling and marketing costs	(1,748)	(4,439)
Administrative expenses	(861)	(1,268)
Interest income	972	149
Profit/(loss) before income tax	227,550	(5,558)
Income tax (expenses)/credit	(56,891)	1,389
Profit/(loss) for the period from continuing operations	170,659	(4,169)
Other comprehensive income	—	—
Total comprehensive income/(loss) for the period	170,659	(4,169)
The joint venture's commitments	<u>1,585,683</u>	<u>2,194,178</u>
The joint venture's financial guarantee contracts	<u>219,291</u>	<u>18,720</u>

No dividend has been paid or declared by Shanghai Kaitai since its establishment.

(iv) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Shanghai Kaitai.

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening net assets	1,997,569	2,007,949
Profit/(loss) for the period	170,659	(4,169)
Closing net assets	2,168,228	2,003,780
The Group's investment in the joint venture	1,084,114	1,001,890
Carrying value	<u>1,084,114</u>	<u>1,001,890</u>

(v) The Group's interests in the joint ventures, other than Fuzhou Liboshuntai and Shanghai Kaitai, which is individually immaterial to the Group, as at 30 June 2016 is RMB407,790,000 (31 December 2015: RMB359,740,000). Set out below is the summarised financial information in respect of the Group's interests in these joint ventures.

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
The Group's share of the joint ventures':		
- profit/(loss) for the period from continuing operations-net	58,070	(16,140)
- other comprehensive income	—	—
- total comprehensive income/(loss) for the period	<u>58,070</u>	<u>(16,140)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(d) Summarised financial information for an associate

The Group's interests in an associate, Zhangzhou City Wankebinjiang Property Co., Ltd., which is immaterial to the Group, as at 30 June 2016 is RMB93,103,000 (31 December 2015: RMB94,319,000). Set out below is the summarised financial information in respect of the Group's interests in the associate.

	<u>Six months ended 30 June</u>	
	<u>2016</u>	<u>2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>
The Group's share of the associate's:		
- loss for the period from continuing operations	1,216	1,339
- other comprehensive income	<u>—</u>	<u>—</u>
- total comprehensive loss for the period	<u>1,216</u>	<u>1,339</u>

14 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	<u>30 June</u>	<u>31 December</u>
	<u>2016</u>	<u>2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Properties under development comprise:		
- Construction costs	7,718,640	3,868,688
- Capitalised interests	3,376,607	3,082,275
- Land use rights	16,063,434	16,387,466
	<u>27,158,681</u>	<u>23,338,429</u>
Completed properties held for sale comprise:		
- Construction costs	3,667,811	878,999
- Capitalised interests	1,016,022	200,704
- Land use rights	2,561,921	222,185
	<u>7,245,754</u>	<u>1,301,888</u>

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within one operating cycle. The relevant land use rights are on leases of 40 to 70 years.

The capitalisation rate of the borrowings was 7.99% for the six months ended 30 June 2016 (Six months ended 30 June 2015: 11.16%).

The Group's pledged properties held for sale and properties under development are set out as follows:

	<u>30 June</u>	<u>31 December</u>
	<u>2016</u>	<u>2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Carrying amounts of properties held for sale and properties under development pledged as collateral for the Group's borrowings	<u>20,858,875</u>	<u>14,045,568</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade receivables (Note (a))	310,722	26,804
Note receivables	5,148	—
Other receivables		
- Bidding deposits for acquisition of land use rights	647,000	181,880
- Receivables from local governments	477,472	66,627
- Amounts due from minority shareholder of a group company	195,793	—
- Deposits for construction contracts (Note (b))	64,545	98,482
- Others	194,597	59,370
	1,579,407	406,359
Prepayments		
- Prepayments for acquisition of land use rights	6,080,030	1,061,285
- Prepaid business taxes and other taxes	445,885	345,472
- Others	37,639	28,645
	6,563,554	1,435,402
Trade and other receivables and prepayments	8,458,831	1,868,565

(a) Aging analysis of the trade receivables based on invoice date is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 90 days	284,780	23,708
Over 90 days and within 365 days	17,481	—
Over 365 days	8,461	3,096
	310,722	26,804

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balance within 90 days as specified in the sales and purchase agreements.

As at 30 June 2016, trade receivables of RMB25,942,000 were past due but not impaired (31 December 2015: RMB3,096,000). These relate to a number of independent customers for whom there are no significant financial difficulty. Management is of the view that the overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales.

As at 30 June 2016, trade receivables of RMB81,648,462 were subsequently settled up to the date of the interim condensed consolidated financial statements.

- (b) The amounts represented deposits for construction contacts of resettlement housing.
- (c) As at 30 June 2016, the Group's trade and other receivables were all denominated in RMB (31 December 2015: same).
- (d) As at 30 June 2016, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above (31 December 2015: same). No material trade and other receivables were impaired as at 30 June 2016 (31 December 2015: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 RESTRICTED CASH

	30 June 2016 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
Denominated in RMB	<u>526,339</u>	<u>74,458</u>

The Group placed certain cash deposits with designated banks as security for borrowings and issuance of commercial bills as of 30 June 2016 (31 December 2015: as security for borrowings).

17 CASH AND CASH EQUIVALENTS

	30 June 2016 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
Cash and cash equivalents denominated in:		
- RMB	11,173,336	2,731,751
- USD	1,105,208	10,675
- HK\$	20,439	40
	<u>12,298,983</u>	<u>2,742,466</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

18 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (Note (a))	Nominal value of ordinary shares <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016	1,000	—	—	989,745	989,745
Issue of shares in connection with the capitalisation issue (Note(a))	1,012,499,000	10	9	(9)	—
Issue of shares in connection with the Company's listing (Note(b))	339,848,000	3	3	1,540,694	1,540,697
Share issuance costs (Note(b))	—	—	—	(44,761)	(44,761)
At 30 June 2016	<u>1,352,348,000</u>	<u>13</u>	<u>12</u>	<u>2,485,669</u>	<u>2,485,681</u>
As at 1 January 2015 and 30 June 2015	<u>100</u>	<u>0.001</u>	<u>—</u>	<u>—</u>	<u>—</u>

(a) Capitalisation issue

On the Listing Date, the Company issued 1,012,499,000 ordinary shares at par value of HK\$0.00001 each to holders of shares on the register of members of the Company at the close of business on the business day immediately preceding the Listing Date by way of capitalisation of an amount of HK\$10,125 standing to the credit of the share premium account of the Company.

(b) Issue of shares in connection with the Company's listing

On the Listing Date, the Company issued a total of 337,500,000 ordinary shares of HK\$0.00001 each at a price of HK\$5.36 per share as a result of the completion of the initial public offering.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 SHARE CAPITAL AND SHARE PREMIUM *(continued)*

(b) Issue of shares in connection with the Company's listing *(continued)*

On 28 January 2016, 2,348,000 shares were issued according to the over-allotment option described in the prospectus of the Company dated 31 December 2015 at a price of HK\$5.36 per share.

Number of total issued shares of the Company was increased to 1,352,348,000 shares upon completion of the capitalisation issue, the initial public offering and exercise of over-allotment option.

Share issuance costs of RMB44,761,000 that were directly attributable the issuance of ordinary shares in connection with the initial public offering and the exercise of over-allotment option was treated as a deduction from share premium.

19 DIVIDEND

The directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

20 PERPETUAL CAPITAL INSTRUMENTS

During the six months ended 30 June 2016, certain group companies issued certain subordinated Perpetual Capital Instruments (the "Perpetual Capital Instruments"). The Perpetual Capital Instruments do not have maturity dates and the distribution payments can be deferred at the discretion of either the group companies or the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the group companies or the Company elects to declare dividends to their shareholders, the group companies shall make distributions to the holders of Perpetual Capital Instruments at the distribution rates as defined in the subscription agreements. Movements of the Perpetual Capital Instruments are as follows:

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Six month ended 30 June 2016			
Balance as at 1 January 2016	—	—	—
Issuance of Perpetual Capital Instruments	3,200,000	—	3,200,000
Redemption of Perpetual Capital Instruments	(1,500,000)	—	(1,500,000)
Profit attributable to holders of Perpetual Capital Instruments . . .	—	24,969	24,969
Distribution made to holders of Perpetual Capital Instruments . . .	—	(3,694)	(3,694)
Balance as at 30 June 2016	<u>1,700,000</u>	<u>21,275</u>	<u>1,721,275</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 BORROWINGS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – secured	4,621,352	1,622,000
Other borrowings – secured (Note (a))	10,068,510	10,779,100
Public Corporate Bonds – unsecured (Note (c))	2,522,050	1,171,463
Private Corporate Bonds – unsecured (Note (d))	5,657,220	—
Less: current portion of non-current borrowings	(4,907,400)	(6,646,500)
	<u>17,961,732</u>	<u>6,926,063</u>
Borrowings included in current liabilities:		
Other borrowings – secured (Note (a))	2,866,000	2,800,000
Current portion of non-current borrowings	4,907,400	6,646,500
	<u>7,773,400</u>	<u>9,446,500</u>
Total borrowings	<u>25,735,132</u>	<u>16,372,563</u>

All of the Group's borrowings are denominated in RMB.

- (a) Certain group companies in the PRC have entered into fund arrangements with trust companies, security companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them, directly or through entrusted banks, to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms.
- (b) As at 30 June 2016, all the Group's bank and other borrowings were secured by the Group's assets which includes properties held for sale, properties under development, property, plant and equipment, land use rights, investment properties, equity interests of certain subsidiaries and restricted cash (31 December 2015: properties held for sales, properties under development, property, plant and equipment, Land use rights, equity interests of certain subsidiaries and restricted cash). In addition to pledge of the Group's assets, Mr. Ou Zonghong ("Mr. Ou"), the controlling shareholder of the Group, has provided personal guarantee for the bank and other borrowings of RMB725,952,000 as at 30 June 2016 (31 December 2015: RMB7,912,000,000).
- (c) During the year ended 31 December 2015, Rongxin (Fujian) Investment Group Co., Ltd. ("Rongxin Fujian"), a group company incorporated in PRC, was authorised by relevant PRC government authorities to publicly issue corporate bonds with an aggregate principal amount of up to RMB2.5 billion to qualified investors ("Public Corporate Bonds"). As at 30 June 2016, the aggregated principal amounts of the issued Public Corporate Bonds is RMB2.5 billion, and the maturity dates are 3 years from the issuance dates. The coupon rates of the issued Public Corporate Bonds ranged from 6.2% to 6.4% per annum. Upon the maturity dates, Rongxin Fujian has an option to increase the coupon rate by not more than 1% and extend the maturity of the bonds with an additional 2 years while the bonds holders can choose to redeem the bonds.
- (d) During the year ended 31 December 2015, Rongxin Fujian was authorised by relevant PRC government authorities to privately issue corporate bonds with an aggregate principal amount of up to RMB8.5 billion to qualified investors ("Private Corporate Bonds"). As at 30 June 2016, the aggregated principal amounts of the issued Private Corporate Bonds is RMB5.6 billion, and the maturity dates are 2-3 years from the issuance dates. The coupon rates of the issued Private Corporate Bonds ranged from 7.40% to 7.89% per annum. Upon the maturity dates, Rongxin Fujian has an option to increase the coupon rate of RMB4.6 billion of the Private Corporate Bonds and extend the maturity of these bonds with an additional 1-2 years while the bonds holders can choose to redeem the bonds.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 BORROWINGS *(continued)*

- (e) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity dates whichever is earlier is as follows:

	30 June 2016 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
6 months or less	4,528,952	5,343,000
6 – 12 months	5,782,400	4,395,100
1 – 5 years	14,424,280	6,634,463
Over 5 years	999,500	—
Total	<u>25,735,132</u>	<u>16,372,563</u>

- (f) The maturity of the borrowings is as follows:

	30 June 2016 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
Within 1 year	7,773,400	9,446,500
1 – 2 years	8,644,172	4,654,600
2 – 5 years	8,318,060	2,271,463
Over 5 years	999,500	—
Total	<u>25,735,132</u>	<u>16,372,563</u>

- (g) The weighted average effective interest rates are as follows:

	30 June 2016	31 December 2015
Bank borrowings	5.95%	6.89%
Public Corporate Bond	7.27%	6.41%
Private Corporate Bond	8.49%	—
Other borrowings	8.54%	11.28%
Weighted average effective interest rates	<u>7.94%</u>	<u>10.50%</u>

- (h) The carrying amounts of the borrowings approximate their fair values as at 30 June 2016 as either the impact of discounting is not significant or the borrowings carry floating rates of interests (31 December 2015: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade payables (Note (a))	3,304,408	1,640,102
Amounts due to minority shareholders of certain group companies	885,392	—
Amounts due to a trust company	346,714	—
Deposits from contractors and suppliers	194,109	125,282
Bills payable	163,351	—
Other taxes payable	151,578	17,537
Accrued payroll	65,032	78,124
Interests payable	50,137	61,988
Deposits received for sales of properties	42,210	252,607
Others	140,193	97,992
	<u>5,343,124</u>	<u>2,273,632</u>

(a) The ageing analysis of the trade payables is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 90 days	811,742	546,914
Over 90 days and within 365 days	884,754	490,341
Over 365 days	1,607,912	602,847
	<u>3,304,408</u>	<u>1,640,102</u>

The Group's trade and other payables as at 30 June 2016 were denominated in RMB (31 December 2015: except for other payables of RMB11,599,000 denominated in HK\$, the Group's remaining trade and other payables were denominated in RMB).

23 FINANCIAL GUARANTEE

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (Note (a) and (b))	12,921,172	6,412,925
Guarantee provided for the borrowings of the joint ventures and related parties (Note (b) and Note 25 (d)(ii))	371,910	3,031,410
	<u>13,293,082</u>	<u>9,444,335</u>

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

(b) Amounts represented the maximum exposure of the guarantees provided by the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 COMMITMENTS

(a) Commitments for property development expenditures as at 30 June 2016 as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted but not provided for		
– Property development activities	6,039,383	4,038,906
– Land use rights	10,991,050	3,310,000
	<u>17,030,433</u>	<u>7,348,906</u>

(b) Operating leases commitments – the Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
– Not later than one year	8,359	17,948
– Later than one year and not later than three years	6,984	9,457
	<u>15,343</u>	<u>27,405</u>

25 RELATED PARTY TRANSACTIONS

(a) Major related parties that had transactions during the six month ended 30 June 2016 with the Group are as follows:

Related parties	Relationship with the Group
Mr. Ou 歐先生	Controlling Shareholder and director of the Company
Dingxin Company Limited	Immediate parent company of the Company
Rongxin (Fujian) Property Management Co., Ltd. 融信（福建）物業管理有限公司	A company controlled by the Controlling Shareholder
Fujian Shiou Property Management Co., Ltd. 福建世歐物業管理有限公司	A company controlled by the Controlling Shareholder

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management compensation

Compensation for key management including directors is set out below.

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Key management compensation		
– Salaries and other employee benefits	3,701	4,420
– Pension costs	90	98
	<u>3,791</u>	<u>4,518</u>

(c) Balances with related parties

	30 June 2016 RMB'000	31 December 2015 RMB'000
Amounts due to related parties:		
– Mr. Ou	85,948	237,500
– Rongxin (Fujian) Property Management Co., Ltd.	15,856	27,047
– Fujian Shiou Property Management Co., Ltd.	11,043	—
– Dingxin Company Limited	469	460
	<u>113,316</u>	<u>265,007</u>

Amounts due to Rongxin (Fujian) Property Management Co., Ltd. and Fujian Shiou Property Management Co., Ltd. represent mainly the payables of property management fees which are unsecured, interest free, and to be settled according to agreed terms and are denominated in RMB.

Amounts due to other related parties mainly represent cash advances which are unsecured, interest-free, repayable on demand and denominated in RMB (31 December 2015: same).

(d) Transactions with related parties

During the six months ended 30 June 2016, the Group had the following significant transactions with related parties.

The directors of the Company are of the opinion that the following related party transactions were conducted on normal commercial terms and in the ordinary course of business.

(i) Property management services provided by related parties

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
– Rongxin (Fujian) Property Management Co., Ltd.	181	16,715
– Fujian Shiou Property Management Co., Ltd.	17,092	—
	<u>17,273</u>	<u>16,715</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 RELATED PARTY TRANSACTIONS *(continued)*

(d) Transactions with related parties *(continued)*

(ii) Guarantee for borrowings of related parties

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantee to joint ventures:		
– Shanghai Kaitai Property Development Co., Ltd.	371,910	296,910
– Fuzhou Liboshuntai Property Development Co., Ltd.	—	45,000
– Shiou Group	Not applicable	2,689,500
	<u>371,910</u>	<u>3,031,410</u>

26 CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Pursuant to an investment agreement entered into between the Group and an independent third party, who agreed to inject cash of RMB510,000,000 to a group company to acquire 11% equity interests of the group company. The amount of RMB379,721,000, being the difference between the cash injections and the carrying amount of 11% equity interest in the group company was recognised as capital reserves.

27 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES

During the six months ended 30 June 2016, the joint venture partners of Fuzhou Shiou Property Development Co., Ltd. and its subsidiaries (“Shiou Group”) and Hua Cao Projects developing by Shanghai Kaiyu Property Development Co., Ltd., Shanghai Kairi Property Development Co., Ltd., Shanghai Kaichang Property Development Co., Ltd. and Shanghai Kaichong Property Development Co., Ltd. (together, “Hua Cao Group”) have transferred the controlling rights of the jointly controlled projects to the Group. Accordingly, the investments in the joint ventures are remeasured to fair value at the date when the Group obtained the control, and are deemed to have been disposed in exchange with the consolidation of subsidiaries, the resulting gains from the remeasurements are recognised in the consolidated income statement in accordance with HKFRS 3 – Business Combinations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

27 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES *(continued)*

The following table summarises the remeasurement gains on the investments in the joint ventures, the fair value of identifiable assets acquired, liabilities assumed and the non-controlling interests recognised at the respective consolidation dates.

	At consolidation dates	
	Shiou Group RMB'000	Hua Cao Group RMB'000
Carrying amounts of the Group's investments in the joint ventures	2,198,402	211,866
Fair value gains on the remeasurement of joint ventures	201,810	76,264
Fair value of the investments in the joint ventures	2,400,212	288,130
Recognised amounts of identifiable assets acquired and liabilities assumed		
Investment properties	3,319,000	—
Property, plant and equipment	1,085	169
Properties under development	—	1,763,000
Completed properties held for sale	3,373,602	—
Amounts due from shareholders	3,380,268	—
Amounts due from customers for contract works	193,551	—
Trade and other receivables	683,065	9,717
Prepayments	26,660	—
Prepaid income tax	13,285	—
Cash and cash equivalents	63,793	8,762
Borrowings	(2,826,500)	—
Deferred tax liabilities	(689,054)	(84,663)
Advances received from pre-sales of properties	(445,241)	(33,763)
Trade and other payables	(1,318,310)	(1,086,962)
Amounts due to shareholders	(304,000)	—
Current income tax liabilities	(670,780)	—
Total identifiable net assets	4,800,424	576,260
Non-controlling interests being recognised	2,400,212	288,130
Identifiable net assets acquired	2,400,212	288,130
Goodwill	—	—

The acquired businesses contributed revenues of RMB629,851,000 and net profit of RMB39,916,000 to the Group for the period from the respective acquisition dates to 30 June 2016. If the acquisitions had occurred on 1 January 2016, consolidated revenue and consolidated profit for the six months ended 30 June 2016 would have been RMB7,004,386,000 and RMB1,018,789,000 respectively.

28 ACQUISITION OF A SUBSIDIARY

During the six months ended 30 June 2016, the Group acquired 50% equity interests in Fujian Ronghui Real Estate Company Limited ("Fujian Ronghui"), a limited liability company incorporated in the PRC with a project under development in Fuzhou City. According to the articles of association, the Group is able to control the financing and operating policies of Fujian Ronghui, hence the acquisition was treated as a business combination in accordance with HKFRS 3 – Business Combinations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 ACQUISITION OF A SUBSIDIARY *(continued)*

The following table summarises the considerations paid for acquisition of Fujian Ronghui, the fair value of assets acquired and liabilities assumed at the acquisition date.

	<i>RMB'000</i>
Consideration – cash	740,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	97,564
Land use rights	10,682
Intangible assets	1,893
Properties under development	5,286,700
Amounts due from customers for contract works	44,784
Trade and other receivables	428,791
Prepayments	37,566
Prepaid income tax	25,420
Cash and cash equivalents	125,674
Borrowings	(1,537,603)
Deferred tax liabilities	(566,956)
Advances received from pre-sales of properties	(787,400)
Amounts due to the Group	(926,000)
Trade and other payables	(761,115)
Total identifiable net assets	1,480,000
Non-controlling interests being recognised	740,000
Identifiable net assets acquired	740,000
Goodwill	—
Cash outflow on acquisition of the subsidiary, net of cash acquired:	
– Consideration paid	740,000
– Settlements of loans to former shareholder resulting from the acquisition	926,000
– Cash and cash equivalents in the subsidiary on acquisition date	(125,674)
Net cash outflow	1,540,326

Fujian Ronghui contributed revenue of RMB37,892,000 and net loss of RMB10,810,000 to the Group for the period from the acquisition date to 30 June 2016. If the acquisition had occurred on 1 January 2016, consolidated revenue and consolidated profit for the six months ended 30 June 2016 would have been RMB7,013,777,000 and RMB1,005,029,000 respectively.

29 NON-CASH TRANSACTION

During the six months ended 30 June 2016, dividend of RMB414,760,000 made to a non-controlling shareholder of a group company was offset with the group company's amount due from the non-controlling shareholder.

30 SUBSEQUENT EVENTS

On 17 August 2016, the Group acquired a piece of land from the Shanghai Municipal Bureau of Planning and Land Resources through a public tender at consideration of RMB11,010,000,000. According to the land grant contract, the Group is required to settle the land costs within six months. The Group will co-develop the land with another property developer.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the shareholders of Ronshine China Holdings Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ronshine China Holdings Limited (the “Company”) and its subsidiaries set out on pages 74 to 156, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2016

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
Revenue	6	7,414,576	4,099,230
Cost of sales	7	(4,700,368)	(2,959,228)
Gross profit		2,714,208	1,140,002
Selling and marketing costs	7	(395,833)	(288,873)
Administrative expenses	7	(273,020)	(267,006)
Other income		7,320	3,729
Operating profit		2,052,675	587,852
Finance (costs)/income – net	9	(11,176)	5,025
Share of profits of investments accounted for using the equity method, net	16	422,539	240,724
Profit before income tax		2,464,038	833,601
Income tax expenses	10	(1,058,097)	(331,962)
Profit for the year		1,405,941	501,639
Profit for the year attributable to:			
Owners of the Company		1,432,813	506,507
Non-controlling interests		(26,872)	(4,868)
		1,405,941	501,639
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB per share)	11	1.42	0.50

The notes on pages 81 to 156 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Year ended 31 December</u>	
	<u>2015</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Profit for the year	1,405,941	501,639
Other comprehensive income	—	—
Total comprehensive income for the year	<u>1,405,941</u>	<u>501,639</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	1,432,813	506,507
Non-controlling interests	(26,872)	(4,868)
	<u>1,405,941</u>	<u>501,639</u>

The notes on pages 81 to 156 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	840,824	463,864
Land use rights	14	483,787	498,590
Intangible assets		2,774	3,368
Investments accounted for using the equity method	16	2,534,738	2,355,819
Other receivables	19	—	2,691
Available-for-sale financial assets	23	46,000	1,000
Deferred tax assets	15	151,282	134,412
		<u>4,059,405</u>	<u>3,459,744</u>
Current assets			
Properties under development	18	23,338,429	14,907,113
Completed properties held for sale	18	1,301,888	866,423
Trade and other receivables and prepayments	19	1,868,565	7,664,116
Amounts due from related parties		—	2,713,147
Amounts due from customers for contract works	20	143,361	114,627
Prepaid taxation		205,499	390,218
Available-for-sale financial assets	23	41,000	20,000
Term deposits with initial terms of over three months	22	1,021,799	—
Restricted cash	21	74,458	741,736
Cash and cash equivalents	22	2,742,466	657,637
		<u>30,737,465</u>	<u>28,075,017</u>
Total assets		<u><u>34,796,870</u></u>	<u><u>31,534,761</u></u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	24	—	—
Share premium	24	989,745	—
Other reserves	25, 26	3,312,777	1,020,877
		<u>4,302,522</u>	<u>1,020,877</u>
Non-controlling interests	27, 34(d)	770,210	8,169
Total equity		<u><u>5,072,732</u></u>	<u><u>1,029,046</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings	28	6,926,063	10,999,600
Current liabilities			
Trade and other payables	29	2,273,632	1,277,317
Amounts due to related parties	33	265,007	3,207,622
Dividend payable	12	—	338,000
Pre-sale proceeds received from customers		10,083,124	8,099,997
Current income tax liabilities		729,812	323,979
Borrowings	28	9,446,500	6,259,200
		<u>22,798,075</u>	<u>19,506,115</u>
Total liabilities		<u><u>29,724,138</u></u>	<u><u>30,505,715</u></u>
Total equity and liabilities		<u><u>34,796,870</u></u>	<u><u>31,534,761</u></u>

The notes on pages 81 to 156 are an integral part of these consolidated financial statements.

The financial statements on pages 74 to 156 were approved by the Board of Directors of the Company (the “Board”) on 23 March 2016 and were signed on its behalf.

Ou Zonghong

Zeng Feiyan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests RMB'000 (Note 27 and 33 (d))	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 24)	Capital reserves RMB'000 (Note 25)	Statutory reserves RMB'000 (Note 26)	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January								
2014	—	—	837,741	—	688,167	1,525,908	13,037	1,538,945
Comprehensive income								
– Profit/(loss) for the year	—	—	—	—	506,507	506,507	(4,868)	501,639
– Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	506,507	506,507	(4,868)	501,639
Transfer to statutory reserves	—	—	—	163,493	(163,493)	—	—	—
Capital injection from the then shareholders of the Group	—	—	100,000	—	—	100,000	—	100,000
Dividends declared to the then shareholders of the Group	—	—	—	—	(338,000)	(338,000)	—	(338,000)
Deemed distributions to the then shareholders of the Group	—	—	(773,538)	—	—	(773,538)	—	(773,538)
Balance at 31 December								
2014	—	—	164,203	163,493	693,181	1,020,877	8,169	1,029,046
Balance at 1 January								
2015	—	—	164,203	163,493	693,181	1,020,877	8,169	1,029,046
Comprehensive income								
– Profit for the year	—	—	—	—	1,432,813	1,432,813	(26,872)	1,405,941
– Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	1,432,813	1,432,813	(26,872)	1,405,941
Capital injection from the then shareholder of the Company	—	989,745	—	—	—	989,745	—	989,745
Transfer to statutory reserves	—	—	—	173,735	(173,735)	—	—	—
Capital injection from non-controlling interests (note 27)	—	—	859,087	—	—	859,087	788,913	1,648,000
Balance at 31 December								
2015	—	989,745	1,023,290	337,228	1,952,259	4,302,522	770,210	5,072,732

The notes on pages 81 to 156 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

		Year ended 31 December	
	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30	4,091,512	(5,885,569)
PRC corporate income tax paid		(84,340)	(146,188)
PRC land appreciation tax paid		(400,075)	(311,790)
Net cash generated from/(used in) operating activities		3,607,097	(6,343,547)
Cash flows from investing activities			
Payments for purchase of property and equipment		(380,867)	(290,802)
Payments for purchase of intangible assets		(441)	(2,800)
Proceeds from disposal of property and equipment		2,055	1,589
Capital injections to joint ventures		(243,500)	(1,407,500)
Capital injection to an associate		—	(98,000)
Payments for acquisition of available-for-sale financial assets		(86,000)	(21,000)
Proceeds from disposal of available-for-sale financial assets		20,000	9,000
Cash advances to related parties	33(d) (iii)	—	(717,579)
Repayments from related parties	33(d) (iii)	841,241	1,484,999
Net proceeds from disposal of amounts due from joint ventures and an associate	33(d) (iii)	1,797,030	—
Interest received		11,037	5,025
(Increase)/decrease in term deposits with initial terms of over three months		(969,941)	5,500
Net cash generated from/(used in) investing activities		990,614	(1,031,568)
Cash flows from financing activities			
Proceeds from borrowings		14,302,163	14,075,042
Repayments of borrowings		(15,188,400)	(5,288,282)
Cash advances from related parties	33(d) (iii)	460	811,150
Repayments to related parties	33(d) (iii)	(2,474,461)	(255,352)
Capital injection from the then shareholders of the Group	24, 25	989,745	100,000
Capital injection from non-controlling interests	27	1,648,000	—
Dividends paid to the then shareholders of the Group	12	(338,000)	—
Interest paid		(2,026,346)	(1,506,099)
Restricted cash pledged for borrowings		(7,579)	(599,802)
Restricted cash released		580,731	5
Net cash (used in)/generated from financing activities		(2,513,687)	7,336,662
Net increase/(decrease) in cash and cash equivalents		2,084,024	(38,453)
Cash and cash equivalents at beginning of the year		657,637	696,090
Exchange gains on cash and cash equivalents		805	—
Cash and cash equivalents at end of the year		2,742,466	657,637

The notes on pages 81 to 156 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ronshine China Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together the “Group”) are principally engaged in property development business in the People’s Republic of China (the “PRC”).

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange Hong Kong Limited (the “Stock Exchange”), a reorganisation (the “Reorganisation”) was undertaken pursuant to which the Company became the holding company of the group companies comprising the Group.

Details of the Reorganisation are set out in the prospectus of the Company dated 31 December 2015.

The Company’s shares were listed on the Stock Exchange on 13 January 2016.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board on 23 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the Group’s financial year beginning on 1 January 2015. The adoption of these amended standards does not have any significant impact to the results and financial position of the Group.

HKAS 19 (Amendment)	Defined benefit plans
HKFRSs (Amendments)	Annual improvements 2010—2012 cycle and 2011—2013 cycle

(b) New standards and amendments to standards that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group:

HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation ¹

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standards and amendments to standards that have been issued but are not effective *(continued)*

HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception ¹
HKAS 27 (Amendment)	Equity method in separate financial statements ¹
Annual improvements 2014	Annual improvements 2012—2014 cycle ¹
HKAS 1 (Amendment)	Disclosure initiative ¹
HKFRS 14	Regulatory deferral accounts ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants ¹
HKFRS 15	Revenue from contracts with customers ²
HKFRS 9	Financial instruments ²

1 Effective for annual periods beginning on or after 1 January 2016.

2 Effective for annual periods beginning on or after 1 January 2018.

The above new standards and amendments to standards will be adopted in the years listed and the Group is in the process of assessing the impact on future accounting periods.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'Share of profits of investments accounted for using the equity method, net' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). This consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations when items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment *(continued)*

statement during the year in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Office equipment	3 - 5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

Assets under construction are stated at cost. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property and equipment and depreciated in accordance with the policy as stated above.

The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.8 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (4 to 10 years).

2.9 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss. During the year ended 31 December 2015, the investment properties of the Group are held by a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises mainly cost of land use rights, construction costs, borrowing costs, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's loans and receivables comprise "trade and other receivables", "amounts due from related parties", "amounts due from customers for contract works", "restricted cash", "cash and cash equivalents" and "term deposits with initial terms of over three months" in the consolidated balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either so designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held- to-maturity investments. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Financial assets *(continued)*

2.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Impairment of financial assets *(continued)*

(a) Assets carried at amortised cost *(continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.15 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion" method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the consolidated balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 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.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.17 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods.

2.18 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for properties sold in the ordinary course of business. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents, restricted cash and term deposits with initial terms of over three months

In the consolidated statement of cash flow, cash and cash equivalents includes cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in “restricted cash” of the consolidated balance sheet. Bank deposits with initial terms of over three months are included in “term deposits with initial terms of over three months” in the consolidated balance sheet. Restricted cash and term deposits with initial terms of over three months are excluded from cash and cash equivalents.

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Trade and other payables and amounts due to related parties

Trade payables are obligations to pay for construction costs or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under construction, 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.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits

(a) Pension obligations

The group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post- retirement benefits beyond the contributions made.

Contributions to these defined contribution plans are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Employee benefits *(continued)*

(b) Housing benefits

PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services provided, stated net of discounts returns and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed, notification of delivery of properties have been issued to the buyers and collectability of related receivables pursuant to the sale agreements is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as "pre-sale proceeds received from customers" under current liabilities.

(b) Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion (Note 2.15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Revenue recognition *(continued)*

(c) Interest income

Interest income is recognised using the effective interest method.

2.27 Financial guarantee liabilities

Financial guarantee contracts in the scope of HKAS39 “Financial Instrument: Recognition and Measurement” are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

2.28 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s and the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders. Dividend distribution to the then shareholders of the group companies during the period before the Reorganisation was completed is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the directors of the respective group companies.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (include foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

3.1.1 Market risk

(a) Foreign exchange risk

The Group’s operates in the PRC with most transactions being settled in RMB, which is the functional currency of the group companies, except for certain transactions which are settled in foreign currencies. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitor the movement of the foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.1 Market risk *(continued)*

(a) Foreign exchange risk (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at 31 December 2015 are as follows:

	As at 31 December 2015 RMB'000
Monetary assets denominated in:	
– United State Dollars (“USD”)	709,723
– Hong Kong Dollars (“HKD”)	40
	<u>709,763</u>
Monetary liabilities denominated in:	
– HKD	<u>11,559</u>

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, the effect on the profit for the year is as follows (31 December 2014: nil):

	Year ended 31 December 2015 Increase/ (decrease) RMB'000
5% appreciation in RMB against:	
– USD	(35,486)
– HKD	576
5% depreciation in RMB against:	
– USD	35,486
– HKD	(576)

The Group did not have material monetary assets or liabilities denominated in foreign currency as at 31 December 2014.

(b) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors the trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.1 Market risk *(continued)*

(b) Interest rate risk *(continued)*

As at 31 December 2015, if interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the year ended 31 December 2015 would increase/decrease RMB16,220,000 (31 December 2014: RMB19,741,000), which would have been capitalised in qualified assets.

3.1.2 Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), term deposits with initial terms of over three months, restricted cash, trade and other receivable, amounts due from customers for contract works and available-for-sale financial assets shown in the consolidated balance sheet.

As at 31 December 2015, substantially all the Group's bank deposits are deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2015 are as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Big four commercial banks of the PRC (i)	532,744	320,261
Other listed banks incorporated in the PRC	239,941	906,196
Other non-listed banks incorporated in the PRC	2,366,898	172,860
Other non-listed banks incorporated in Macau	699,102	—
	<u>3,838,685</u>	<u>1,399,317</u>

Note:

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

For the trade receivables arising from sales of properties, the Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.2 Credit risk *(continued)*

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 31. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell 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.

For other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group finances its property development projects primarily through funding obtained from financial institutions and the proceeds from pre-sale of properties. To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the two years ended 31 December 2013 and 2014. As at 31 December 2014, the Group's total borrowings stood at RMB17,259 million and its gearing ratio stood at 15.41 (Note 3.2). During the year ended 31 December 2015 and the period up to the date of these consolidated financial statements, in order to properly manage the Group's liquidity risk and capital structure, the Group has conducted the following major financing activities:

- (a) Dingxin Company Limited ("Dingxin"), an entity ultimately controlled by Mr. Ou Zonghong ("Mr. Ou" or "Controlling Shareholder") and being the parent company of the Group has injected cash of US\$161 million (equivalent to RMB990 million) to the Company to replenish the equity of the Company;
- (b) the Group has disposed of 49% equity interests in three projects of the Group to obtain capital injections from non-controlling interests totalling RMB1,648 million;
- (c) the Company has completed the initial public offering and raised net proceeds of RMB1,502 million;
- (d) the Group has issued corporate bonds in the PRC to raised gross funds totalling RMB6,500 million with tenures of 2 to 5 years to replace the existing short-term borrowings or other borrowings at higher interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk *(continued)*

The Group also recorded an operating cash inflow of RMB3,607 million for the year ended 31 December 2015. With the aforementioned recent developments, the directors of the Company considered the Group's liquidity risk has been significantly reduced and capital structure has been significantly improved. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2015 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2015				
Borrowings (Note)	10,656,631	5,349,804	2,592,223	18,598,658
Trade and other payables, excluding accrual for staff costs and allowances, other taxes payable	2,177,971	—	—	2,177,971
Amounts due to related parties	265,007	—	—	265,007
Financial guarantee	9,444,335	—	—	9,444,335
	<u>10,656,631</u>	<u>5,349,804</u>	<u>2,592,223</u>	<u>18,598,658</u>
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2014				
Borrowings (Note)	7,955,924	8,185,288	4,180,489	20,321,701
Trade and other payables, excluding accrual for staff costs and allowances, other taxes payable	1,216,759	—	—	1,216,759
Amounts due to related parties	3,207,622	—	—	3,207,622
Dividend payable	338,000	—	—	338,000
Financial guarantee	5,672,551	—	—	5,672,551
	<u>7,955,924</u>	<u>8,185,288</u>	<u>4,180,489</u>	<u>20,321,701</u>

Note: Interest on borrowings is calculated on borrowings held as at 31 December 2015 and 2014, respectively.
Floating-rate interest is estimated using the interest rate as at 31 December 2015 and 2014, respectively.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management *(continued)*

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents, restricted cash and term deposits with initial terms of over three months.

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Total borrowings (Note 28)	16,372,563	17,258,800
Less: Cash and cash equivalents (Note 22)	(2,742,466)	(657,637)
Term deposits with initial terms of over three months (Note 22)	(1,021,799)	—
Restricted cash (Note 21)	(74,458)	(741,736)
Net borrowings	12,533,840	15,859,427
Total equity	5,072,732	1,029,046
Gearing ratio	2.47	15.41

3.3 Fair value estimation

Certain of the assets of the Group are carried at fair value or where fair value was disclosed can be categorised by level of inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The available-for-sale financial assets are measured at fair value, which is grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, are used to determine fair value for the available-for-sale financial assets. There were no changes in level 3 instruments during the year ended 31 December 2015 (2014: same).

The Group's financial assets include cash and cash equivalents, restricted cash, trade and other receivables, amounts due from customers for contract works, available-for-sale financial assets and term deposits with initial terms of over three months. The Group's financial liabilities include trade and other payables, amounts due to related parties and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(a) Provisions for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there is no material impairment for properties under development and completed properties held for sale at 31 December 2015 (31 December 2014: same).

(b) Corporate income tax and deferred taxation

The Group is subject to corporate income tax in the PRC. Significant judgment is required in determining the provision for corporate income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

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

(c) PRC land appreciation tax

The Group is subject to PRC land appreciation tax ("LAT") in the PRC. The Group has not finalised its LAT calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and the related LAT. The Group recognised the LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such tax have been finalised with local tax authorities.

5 SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance.

The Group is principally engaged in the property development in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Executive Directors regard that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the Executive Directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC for the year ended 31 December 2015 (2014: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(continued)*

As at 31 December 2015, all of non-current assets of the Group were located in the PRC (31 December 2014: same).

There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the year ended 31 December 2015 (2014: same).

6 REVENUE

Revenue of the Group for the year ended 31 December 2015 is as follow:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue from sales of properties	7,326,711	3,996,186
Revenue from construction contracts (note 20)	87,865	103,044
	<u>7,414,576</u>	<u>4,099,230</u>

7 EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of properties sold (excluding staff costs)	4,125,159	2,623,794
Cost of construction contract (excluding staff costs)	79,468	86,287
Staff costs (including directors' emoluments) (Note 8)	237,076	152,568
Business taxes and other taxes	435,386	273,314
Marketing and advertising costs	246,821	207,428
Office lease payments	24,527	19,837
Property management fees	43,354	27,590
Office and travelling expenses	22,291	21,843
Entertainment expenses	12,101	15,268
Depreciation (Note 13)	14,097	12,756
Listing expenses	16,334	14,420
Donations	12,714	4,818
Auditors' remuneration	4,494	852
Amortisation of intangible assets	1,035	952
Other expenses	94,364	53,380
Total cost of sales, selling and marketing costs and administrative expenses	<u>5,369,221</u>	<u>3,515,107</u>

8 STAFF COSTS—INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	226,435	141,194
Pension costs—statutory pension	10,641	11,374
	<u>237,076</u>	<u>152,568</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 STAFF COSTS—INCLUDING DIRECTORS' EMOLUMENTS (*continued*)

(a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Salaries and other benefits	6,000	5,933
Pension costs	145	116
	<u>6,145</u>	<u>6,049</u>

The emoluments received by individual directors are presented as below:

(i) For the year ended 31 December 2015

Name of Directors	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Mr. Ou	—	1,345	32	1,377
Mr. Wu Jian	—	1,449	32	1,481
Mr. Lin Junling	—	1,403	32	1,435
Mr. Gao Chuanjian (note (iii))	—	837	17	854
Ms. Zeng Feiyan (note (iv))	—	966	32	998
	<u>—</u>	<u>6,000</u>	<u>145</u>	<u>6,145</u>

(ii) For the year ended 31 December 2014

Name of Directors	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Mr. Ou	—	1,398	29	1,427
Mr. Wu Jian	—	1,488	29	1,517
Mr. Lin Junling	—	1,410	29	1,439
Mr. Gao Chuanjian (note (iii))	—	1,637	29	1,666
	<u>—</u>	<u>5,933</u>	<u>116</u>	<u>6,049</u>

During the year ended 31 December 2015, none of the directors of the Company waived his emoluments nor has agreed to waive his emoluments (2014: none).

(iii) Mr. Gao Chuanjian was appointed as a director in December 2014. He has resigned the director position in July 2015.

(iv) Ms. Zeng Feiyan was appointed as a director in July 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 STAFF COSTS—INCLUDING DIRECTORS' EMOLUMENTS (*continued*)

(b) Five highest paid individuals

For the year ended 31 December 2015, the five individuals whose emoluments were the highest in the Group included four (2014: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2014: two) individuals during the year are as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Wages and salaries	1,465	3,030
Pension costs	32	58
	<u>1,497</u>	<u>3,088</u>

The emoluments payable to the remaining one (2014: two) individuals fell within the following bands:

	Year ended 31 December	
	2015	2014
Annual emolument band		
HKD1,500,000 – HKD2,000,000	<u>1</u>	<u>2</u>

During the year ended 31 December 2015, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: none).

(c) Pensions scheme—defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

9 FINANCE (COSTS)/INCOME—NET

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Finance costs		
– Bank and other borrowings	2,066,887	1,511,122
– Finance costs on disposal of amounts due from joint ventures and an associate (Note 33(d) (iii))	(74,876)	—
– Less: capitalised interest	<u>(2,066,887)</u>	<u>(1,511,122)</u>
	<u>(74,876)</u>	<u>—</u>
Finance income		
– Interest income from bank deposits	11,037	5,025
– Net foreign exchange gains	<u>52,663</u>	<u>—</u>
Finance (costs)/income—net	<u>(11,176)</u>	<u>5,025</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax:		
Hong Kong profits tax	—	—
PRC corporate income tax	411,919	164,298
LAT	663,048	229,785
	1,074,967	394,083
Deferred income tax (Note 15)	(16,870)	(62,121)
	1,058,097	331,962

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	2,464,038	833,601
Less: share of profits of joint ventures and an associate reported net of tax	(422,539)	(240,724)
	2,041,499	592,877
Tax calculated at applicable corporate income tax rates	501,597	148,219
Effect of expenses not deductible for income tax purpose	59,214	11,404
LAT deductible for income tax purpose	(165,762)	(57,446)
PRC corporate income tax	395,049	102,177
LAT	663,048	229,785
	1,058,097	331,962

Hong Kong profits tax

The applicable Hong Kong profit tax rate is 16.5% for the year ended 31 December 2015 (2014: 16.5%).

PRC corporate income tax

The income tax provision of the Group in respect of operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2014 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "CIT Law") effective on 1 January 2008.

LAT

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSES *(continued)*

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "BVI") was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2014 and 2015. In determining the weighted average number of ordinary shares in issue, 100 shares issued during the Reorganisation and 1,012,499,000 shares issued by way of capitalisation (Note 36(a)) were deemed to have been issued since 1 January 2014.

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	1,432,813	506,507
Weighted average number of shares in issue	1,012,499,175	1,012,499,100
Basic earnings per share (RMB per share)	1.42	0.50

The Company did not have any potential ordinary shares outstanding for the year ended 31 December 2015 (2014: same). Diluted earnings per share is equal to basic earnings per share.

12 DIVIDEND

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Dividends declared by a group company to its then shareholders	—	338,000

Dividend of RMB338,000,000 has been declared by a group company to its then shareholders on 5 December 2014 and was subsequently settled in the year ended 31 December 2015.

The directors do not recommend the payment of any dividend for the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
Year ended 31 December 2014					
Opening net book amount	9,047	3,841	17,562	80,800	111,250
Additions	4,330	14,111	3,443	344,399	366,283
Disposals	—	(584)	(329)	—	(913)
Depreciation	(3,421)	(3,006)	(6,329)	—	(12,756)
Closing net book amount	<u>9,956</u>	<u>14,362</u>	<u>14,347</u>	<u>425,199</u>	<u>463,864</u>
At 31 December 2014					
Cost	18,624	21,757	31,045	425,199	496,625
Accumulated depreciation	(8,668)	(7,395)	(16,698)	—	(32,761)
Net book amount	<u>9,956</u>	<u>14,362</u>	<u>14,347</u>	<u>425,199</u>	<u>463,864</u>
Year ended 31 December 2015					
Opening net book amount	9,956	14,362	14,347	425,199	463,864
Additions	—	1,879	2,024	388,571	392,474
Disposals	—	(5)	(1,412)	—	(1,417)
Depreciation	(3,708)	(4,389)	(6,000)	—	(14,097)
Closing net book amount	<u>6,248</u>	<u>11,847</u>	<u>8,959</u>	<u>813,770</u>	<u>840,824</u>
At 31 December 2015					
Cost	18,624	23,536	29,548	813,770	885,478
Accumulated depreciation	(12,376)	(11,689)	(20,589)	—	(44,654)
Net book amount	<u>6,248</u>	<u>11,847</u>	<u>8,959</u>	<u>813,770</u>	<u>840,824</u>

Depreciation of the property, plant and equipment has been charged to consolidated income statement as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of sales	407	250
Selling and marketing costs	1,355	1,120
Administrative expenses	12,335	11,386
	<u>14,097</u>	<u>12,756</u>

As at 31 December 2015, all buildings were located in the PRC (31 December 2014: same).

Borrowing costs of RMB97,463,000 have been capitalised in assets under construction for the year ended 31 December 2015 (2014: RMB87,649,000). The capitalisation rate of the borrowings of the year ended 31 December 2015 was 10.50% (2014: 10.88%).

Certain property, plant and equipment of the Group with carrying amounts of RMB434,910,000 as at 31 December 2015 (31 December 2014: nil) has been pledged for the borrowings of the Group (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 LAND USE RIGHTS

	<i>RMB'000</i>
Year ended 31 December 2014	
Opening net book amount	513,393
Amortisation	<u>(14,803)</u>
Closing net book amount	498,590
Year ended 31 December 2015	
Opening net book amount	498,590
Amortisation	<u>(14,803)</u>
Closing net book amount	<u>483,787</u>

Amounts represent the land use rights of hotels under construction. The relevant land use rights are held on leases of 40 years and the land is located in the PRC.

Land use rights with a total carrying amount of RMB483,787,000 as at 31 December 2015 were pledged as collateral for the Group's borrowings (31 December 2014: RMB498,590,000) (Note 28).

15 DEFERRED TAX ASSETS

The analysis of deferred tax assets is as follows:

	Year ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets		
– Deferred tax assets to be recovered within 12 months	48,732	—
– Deferred tax assets to be recovered after 12 months	<u>102,550</u>	<u>134,412</u>
	<u>151,282</u>	<u>134,412</u>

The movements in deferred tax assets as follows:

	Tax losses	Deductible temporary differences of expenses and cost of sales	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014	62,970	9,321	72,291
Credit/(debit) to the consolidated income statement (Note 10)	<u>71,442</u>	<u>(9,321)</u>	<u>62,121</u>
At 31 December 2014	<u>134,412</u>	<u>—</u>	<u>134,412</u>
At 1 January 2014	134,412	—	134,412
Credit to the consolidated income statement (Note 10)	<u>16,870</u>	<u>—</u>	<u>16,870</u>
At 31 December 2015	<u>151,282</u>	<u>—</u>	<u>151,282</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments accounted for using the equity method

(i) The amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Joint ventures	2,440,419	2,258,165
An associate	94,319	97,654
	<u>2,534,738</u>	<u>2,355,819</u>

(ii) The amounts recognised in the consolidated income statement are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Joint ventures	425,874	243,038
An associate	(3,335)	(2,314)
	<u>422,539</u>	<u>240,724</u>

(iii) The movement of investments in joint ventures are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Opening balances	2,258,165	607,627
Capital injections	243,500	1,407,500
Profit distribution from joint ventures	(487,120)	—
Share of profits	425,874	243,038
	<u>2,440,419</u>	<u>2,258,165</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Set out below are the joint ventures and an associate of the Group as at 31 December 2015. The place of incorporation or registration is also their principal place of business.

Name of entity		Place of business/ place of incorporation and business	% of ownership interest	Measurement method	Principal activities
Joint ventures					
福州世歐房地產 開發有限公司	Fuzhou Shiou Property Development Co., Ltd. (note (i))	PRC	50%	Equity	Property development
福州利博順泰 房地產開發 有限公司	Fuzhou Liboshuntai Property Development Co., Ltd.	PRC	50%	Equity	Property development
海融(漳州) 房地產有限公司	Hairong (Zhangzhou) Property Co., Ltd.	PRC	50%	Equity	Property development
上海愷泰房地產 開發有限公司	Shanghai Kaitai Property Development Co., Ltd.	PRC	50%	Equity	Property development
上海愷岱房地產 開發有限公司	Shanghai Kaidai Property Development Co., Ltd.	PRC	50%	Equity	Property development
上海愷譽房地產 開發有限公司	Shanghai Kaiyu Property Development Co., Ltd.	PRC	50%	Equity	Property development
上海愷日房地產 開發有限公司	Shanghai Kairi Property Development Co., Ltd.	PRC	50%	Equity	Property development
上海愷暢房地產 開發有限公司	Shanghai Kaichang Property Development Co., Ltd.	PRC	50%	Equity	Property development
上海愷崇房地產 開發有限公司	Shanghai Kaichong Property Development Co., Ltd. (note (ii))	PRC	25%	Equity	Property development
Associate					
漳州市萬科濱江 置業有限公司	Zhangzhou City Wankebinjiang Property Co., Ltd.	PRC	20%	Equity	Property development

(i) The Group and a company controlled by a close family member of Mr. Ou holds 50% and 50% equity interest in Fuzhou Shiou Property Development Co., Ltd. ("Fuzhou Shiou"), respectively. Fuzhou Shiou and its subsidiaries (collectively refer to "Shiou Group") are principally engaged in development of certain residential and commercial property projects in Fuzhou City. According to a separate agreement entered into between the Group and the joint venture partner, the equity interest in one property development project of Shiou Group is held by the Group and the joint venture partner at 40% and 60%, respectively.

(ii) The Group and another two joint venture partners which are independent third parties to the Group hold equity interest in Shanghai Kaichong Property Development Co., Ltd. at 25%, 25% and 50%, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures

- (i) Set out below is the summarised consolidated financial information for Shiou Group, which is material to the Group.

Summarised consolidated balance sheet

	As at 31 December	
	2015 RMB'000	2014 RMB'000
ASSETS		
Non-current assets		
Investment properties	3,317,000	3,175,000
Deferred tax assets	8,268	66,739
Other non-current assets	1,747	2,389
	<u>3,327,015</u>	<u>3,244,128</u>
Current		
Properties under development	—	8,161,682
Completed properties held for sale	2,575,553	187,899
Amounts due from shareholders	577,697	2,979,903
Amounts due from customers for contract works	193,551	575,131
Trade and other receivables	688,751	77,582
Prepayments	28,216	361,096
Prepaid income tax	5,322	379,907
Restricted cash	9,985	140,833
Cash and cash equivalents	46,935	196,378
	<u>4,126,010</u>	<u>13,060,411</u>
Total assets	<u>7,453,025</u>	<u>16,304,539</u>
LIABILITIES		
Non-current liabilities		
Borrowings	—	1,544,700
Deferred tax liabilities	292,830	247,436
	<u>292,830</u>	<u>1,792,136</u>
Current liabilities		
Borrowings	3,085,500	2,402,020
Advances received from pre-sales of properties	277,322	8,585,407
Trade and other payables	1,593,822	1,744,862
Current income tax liabilities	695,638	23,483
	<u>5,652,282</u>	<u>12,755,772</u>
Total liabilities	<u>5,945,112</u>	<u>14,547,908</u>
Net assets	<u>1,507,913</u>	<u>1,756,631</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures *(continued)*

- (i) Set out below is the summarised consolidated financial information for Shiou Group, which is material to the Group. *(continued)*

Summarised consolidated income statement and statement of comprehensive income

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Revenue	10,303,615	2,393,615
Cost of sales	(8,246,932)	(2,001,791)
Selling and marketing costs	(86,291)	(108,544)
Administrative expenses	(76,547)	(63,591)
Interest income	548	1,531
Fair value gain of investment properties	71,258	504,992
Other income, net	3,181	5,169
Profit before income tax	1,968,832	731,381
Income tax expenses	(1,150,995)	(217,161)
Profit for the year from continuing operations	817,837	514,220
Other comprehensive income	—	—
Total comprehensive income for the year	817,837	514,220
The joint venture's commitments	—	910,136
The joint venture's financial guarantee contracts	3,631,079	3,839,952

- (ii) Set out below is the reconciliation of the summarised consolidated financial information presented to the carrying amount of the Group's interest in Shiou Group.

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Opening net assets	1,756,631	1,242,411
Profit for the year	817,837	514,220
Profit distribution to shareholders	(1,066,555)	—
Other comprehensive income	—	—
Closing net assets	1,507,913	1,756,631
Interest in joint ventures	752,467	847,328
Carrying value	752,467	847,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures *(continued)*

- (iii) Set out below is the summarised financial information for Shanghai Kaitai Property Development Co., Ltd. (“Shanghai Kaitai”), which is material to the Group.

Summarised balance sheet

	As at 31 December	
	2015 RMB'000	2014 RMB'000
ASSETS		
Non-current assets		
Deferred tax assets	4,143	684
Other non-current assets	49	63
	<u>4,192</u>	<u>747</u>
Current		
Properties under development	6,082,054	5,062,162
Trade and other receivables	36,750	5,020
Prepaid income taxes	21,266	—
Cash and cash equivalents	609,651	33,178
	<u>6,749,721</u>	<u>5,100,360</u>
Total assets	<u>6,753,913</u>	<u>5,101,107</u>
LIABILITIES		
Non-current liabilities		
Borrowings	593,820	—
Current liabilities		
Advances received from pre-sales of properties	1,057,158	—
Amounts due to shareholders	1,425,536	2,818,682
Trade and other payables	1,679,830	274,476
	<u>4,162,524</u>	<u>3,093,158</u>
Total liabilities	<u>4,756,344</u>	<u>3,093,158</u>
Net assets	<u>1,997,569</u>	<u>2,007,949</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures *(continued)*

- (iii) Set out below is the summarised financial information for Shanghai Kaitai Property Development Co., Ltd. (“Shanghai Kaitai”), which is material to the Group. *(continued)*

Summarised income statement and statement of comprehensive income

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Revenue	—	—
Cost of sales	—	—
Selling and marketing costs	(11,407)	(12)
Administrative expenses	(3,088)	(2,511)
Interest income	656	289
Loss before income tax	(13,839)	(2,234)
Income tax credit	3,459	559
Loss for the year from continuing operations	(10,380)	(1,675)
Other comprehensive income	—	—
Total comprehensive loss for the year	(10,380)	(1,675)
The joint venture's commitments	<u>1,840,726</u>	<u>2,463,579</u>
The joint venture's financial guarantee contracts	<u>95,079</u>	<u>—</u>

No dividend has been paid or declared by the joint venture since its establishment.

- (iv) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Shanghai Kaitai.

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Opening net assets	2,007,949	9,624
Capital injections	—	2,000,000
Loss for the year	(10,380)	(1,675)
Closing net assets	1,997,569	2,007,949
Interest in joint ventures	<u>998,785</u>	<u>1,003,975</u>
Carrying value	<u>998,785</u>	<u>1,003,975</u>

- (v) The Group's interests in joint ventures, other than Shiou Group and Shanghai Kaitai, which are individually immaterial to the Group, as at 31 December 2015 is RMB689,167,000 (31 December 2014: RMB406,862,000). Set out below is the summarised financial information of the Group's interests in these individually immaterial joint ventures in aggregate.

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
The Group's share of these joint ventures':		
– profit/(loss) for the year from continuing operations	38,804	(13,183)
– other comprehensive income	—	—
– total comprehensive income/(loss) for the year	<u>38,804</u>	<u>(13,183)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(c) Summarised financial information for joint ventures *(continued)*

- (vi) The Group's interests in an associate, Zhangzhou City Wankebinjiang Property Co., Ltd., which is immaterial to the Group, as at 31 December 2015 is RMB94,319,000 (31 December 2014: RMB97,654,000). Set out below is the summarised financial information in respect of the Group's interests in the associate.

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
The Group's share of the associate's:		
– loss for the year from continuing operations	(3,335)	(2,314)
– other comprehensive income	—	—
– total comprehensive loss for the year	<u>(3,335)</u>	<u>(2,314)</u>

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Financial assets:		
Loans and receivables		
– Trade and other receivables	433,163	261,267
– Amounts due from related parties	—	2,713,147
– Amounts due from customers for contract works	143,361	114,627
– Restricted cash	74,458	741,736
– Cash and cash equivalents	2,742,466	657,637
– Term deposits with initial terms of over three months	1,021,799	—
– Available-for-sale financial assets	87,000	21,000
	<u>4,502,247</u>	<u>4,509,414</u>
Financial liabilities:		
Liabilities at amortised cost		
– Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	2,177,971	1,216,759
– Amounts due to related parties	265,007	3,207,622
– Dividend payable	—	338,000
– Borrowings	16,372,563	17,258,800
	<u>18,815,541</u>	<u>22,021,181</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Properties under development comprise:		
– Construction costs	3,868,688	3,553,185
– Capitalised interests	3,082,275	1,773,126
– Land use rights	16,387,466	9,580,802
	<u>23,338,429</u>	<u>14,907,113</u>
Completed properties held for sale comprise:		
– Construction costs	878,999	417,901
– Capitalised interests	200,704	106,132
– Land use rights	222,185	342,390
	<u>1,301,888</u>	<u>866,423</u>

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within one operating cycle. The relevant land use rights are on leases of 40 to 70 years.

The capitalisation rate of the borrowings was 10.50% for the year ended 31 December 2015 (2014: 10.88%).

The Group's pledged properties held for sale and properties under development are set out as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Carrying amounts of properties held for sale and properties under development:		
– Pledged as collateral for the Group's borrowings	<u>14,045,568</u>	<u>7,476,887</u>

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Trade receivables (Note (a))	26,804	4,164
Other receivables		
– Bidding deposits for acquisition of land use rights	181,880	—
– Deposits for construction contracts (Note (b))	98,482	148,482
– Receivables from a local government (Note (c))	66,627	66,627
– Others	59,370	41,994
	<u>406,359</u>	<u>257,103</u>
Prepayments		
– Prepaid business taxes and other taxes	345,472	334,821
– Prepayments for acquisition of land use rights	1,061,285	6,978,866
– Others	28,645	91,853
	<u>1,435,402</u>	<u>7,405,540</u>
	<u>1,868,565</u>	<u>7,666,807</u>
Less: other receivables included in non-current assets	—	(2,691)
	<u>1,868,565</u>	<u>7,664,116</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

- (a) Aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Within 90 days	23,708	—
Over 90 days and within 365 days	—	2,339
Over 365 days	3,096	1,825
	<u>26,804</u>	<u>4,164</u>

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balance within 90 days as specified in the sales and purchase agreements.

As at 31 December 2015, trade receivables of RMB3,096,000 were past due but not impaired (31 December 2014: RMB4,164,000). These relate to a number of independent customers for whom there are no significant financial difficulty. Management is of the view that the overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales.

- (b) The amounts represented deposits for construction contacts of resettlement housing (Note 20).
- (c) The amounts represented the consideration paid to a local government in Fujian Province in relation to cooperation in development of a property project. The project was subsequently terminated and the consideration should be returned by the local government. Up to the date of these consolidated financial statements, the Group has received an amount of RMB30,000,000 from the local government.
- (d) As at 31 December 2015, the Group's trade and other receivables were all denominated in RMB (31 December 2014: same).
- (e) As at 31 December 2015, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above (31 December 2014: same). No material trade and other receivables were impaired as at 31 December 2015 (31 December 2014: same).

20 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Contracts in progress at the end of the year:		
Contract costs incurred plus recognised profits	272,601	184,736
Less: progress billings	(129,240)	(70,109)
	<u>143,361</u>	<u>114,627</u>

According to the agreements of acquisition of land use rights entered into with certain local governments, as part of the consideration to obtain the land use rights, certain subsidiaries of the Group were required to construct houses for the respective governments.

Contract revenue of RMB87,865,000, which represented the construction services having been provided, have been recognised as revenue during the year ended 31 December 2015 (2014: RMB103,044,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 RESTRICTED CASH

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Denominated in RMB	74,458	741,736

The Group placed certain cash deposits with designated banks as security for borrowings as of 31 December 2015 (31 December 2014: as security for borrowings and issuance of commercial bills).

22 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Cash and cash equivalents denominated in: (note a)		
– RMB	2,731,751	657,637
– USD	10,675	—
– HKD	40	—
	2,742,466	657,637
Term deposits with initial terms of over three months denominated in: (note (a) and (b))		
– RMB	322,751	—
– USD	699,048	—
	1,021,799	—

(a) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2015 is 1.42% per annum. The carrying amounts of the Group's term deposits approximate their fair value due to the short term maturities.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At 1 January	21,000	9,000
Additions	86,000	21,000
Disposals	(20,000)	(9,000)
At 31 December	87,000	21,000
Less: non-current portion	(46,000)	(1,000)
Current portion	41,000	20,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

The Group's available-for-sale financial assets mainly represents the Group's investments in certain wealth management products, which can be redeemed upon request by the Group:

	31 December	
	2015 RMB'000	2014 RMB'000
Wealth management products issued by:		
– big four commercial banks of the PRC	40,000	20,000
– trust company	46,000	—
– asset management company	1,000	1,000
	<u>87,000</u>	<u>21,000</u>

The available-for-sale financial assets are denominated in RMB as at 31 December 2015 (31 December 2014: same).

The maximum exposure to credit risk at 31 December 2014 and 2015 is the carrying value of the investments classified as available for sale. None of these financial assets is either past due or impaired.

24 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HKD	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 11 September 2014 (date of incorporation) and 31 December 2014	100	0.001	—	—	—
Capital injection from the then shareholder of the Company (Note (a))	900	0.009	—	989,745	989,745
At 31 December 2015	<u>1,000</u>	<u>0.01</u>	<u>—</u>	<u>989,745</u>	<u>989,745</u>

The authorised share capital of the Company as at 11 September 2014 (date of incorporation), 31 December 2014 and 2015 was HK\$380,000 divided into 38,000,000,000 shares.

Upon the incorporation of the Company, one ordinary share of HKD0.00001 was allotted and issued to the sole subscriber and then was transferred to Dingxin. On same date, the Company further allotted and issued 99 ordinary shares to Dingxin. The Company was then wholly-owned by Dingxin.

- (a) During the year ended 31 December 2015, the Company allotted and issued 900 shares to Dingxin at a consideration of US\$161,300,000 (equivalent to RMB989,745,000).

25 CAPITAL RESERVES

Capital reserves mainly represented accumulated capital contribution from the then shareholders of the group companies.

26 STATUTORY RESERVES

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 NON-CONTROLLING INTERESTS

Pursuant to investment agreements entered into between the Group and Fujian Oushi Construction Development Co., Ltd (“Fujian Oushi Construction”), Fujian Oushi Construction agreed to contribute cash of RMB612,000,000, RMB601,000,000 and RMB435,000,000 to three real estate projects of the Group in exchange of 49% equity interests of these three projects.

28 BORROWINGS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – secured	1,622,000	1,945,000
Other borrowings – secured (Note a)	10,779,100	14,933,700
Public Corporate Bond – unsecured (Note c)	1,171,463	—
Less: current portion of non-current borrowings	(6,646,500)	(5,879,100)
	<u>6,926,063</u>	<u>10,999,600</u>
Borrowings included in current liabilities:		
Bank borrowings – secured	—	29,100
Other borrowings – secured (Note a)	2,800,000	351,000
Current portion of non-current borrowings	6,646,500	5,879,100
	<u>9,446,500</u>	<u>6,259,200</u>
Total borrowings	<u>16,372,563</u>	<u>17,258,800</u>

All of the Group’s borrowings are denominated in RMB.

- (a) Certain group companies in the PRC have entered into fund arrangements with trust companies, security companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them, directly or through entrusted banks, to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices (Note 34(c)). The funds bear fixed interest rates and have fixed repayment terms.
- (b) As at 31 December 2015, all the Group’s bank and other borrowings were secured by the Group’s assets which includes properties held for sale, properties under development, property, plant and equipment, land use rights, equity interests of certain subsidiaries and restricted cash (31 December 2014: same). In addition to pledge of the Group’s assets, Mr. Ou has provided personal guarantee for the bank and other borrowings of RMB7,912,000,000 as at 31 December 2015 (31 December 2014: RMB11,253,300,000), which has been subsequently released.
- (c) In October and November 2015, Rongxin (Fujian) Investment Group Co., Ltd. (“Rongxin Fujian”), a group company incorporated in PRC, obtained the pre-approval from Shanghai Stock Exchange and approval from China Securities Regulatory Commission, respectively, to issue corporate bonds to public investors (“Public Corporate Bonds”) in tranches with 24 months after the approvals. Rongxin Fujian issued the first tranche of the Public Corporate Bonds in December 2015 at nominal amount of RMB1.2 billion, with a tenure of 5 years, Rongxin Fujian has the option to increase the coupon rate by not more than 1% and the bonds holders can exercise the retractable option at the end of the third year from the issuance date. The effective interest rate of the Public Corporate Bonds is 6.41% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWINGS (continued)

- (d) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity dates whichever is earlier is as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
6 months or less	5,343,000	1,759,100
6 – 12 months	4,395,100	5,529,100
1 – 5 years	6,634,463	9,970,600
Total	<u>16,372,563</u>	<u>17,258,800</u>

- (e) The maturity of the borrowings is as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Within 1 year	9,446,500	6,259,200
1 – 2 years	4,654,600	7,052,100
2 – 5 years	2,271,463	3,947,500
Total	<u>16,372,563</u>	<u>17,258,800</u>

- (f) The weighted average effective interest rates are as follows:

	As at 31 December	
	2015	2014
Bank borrowings	6.89%	7.48%
Public Corporate Bond	6.41%	—
Other borrowings	11.28%	11.31%
Weighted average effective interest rates	<u>10.50%</u>	<u>10.88%</u>

- (g) The carrying amounts of the borrowings approximate their fair values as at 31 December 2015 as either the impact of discounting is not significant or the borrowings carry floating rates of interests (31 December 2014: same).

29 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Trade payables (Note a)	1,640,102	776,592
Bills payable	—	112,000
Other taxes payable	17,537	3,943
Accrued payroll	78,124	56,615
Interests payable	61,988	87,632
Deposits received for sales of properties	252,607	117,369
Deposits from contractors and suppliers	125,282	78,658
Others	97,992	44,508
	<u>2,273,632</u>	<u>1,277,317</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 TRADE AND OTHER PAYABLES *(continued)*

(a) The ageing analysis of the trade payables is as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Within 90 days	546,914	352,101
Over 90 days and within 365 days	490,341	156,574
Over 365 days	602,847	267,917
	<u>1,640,102</u>	<u>776,592</u>

Except for other payables of RMB11,599,000 denominated in HKD, the Group's remaining trade and other payables as at 31 December 2015 were denominated in RMB (31 December 2014: all trade and other payables were denominated in RMB).

30 CASH GENERATED FROM/(USED IN) OPERATIONS

Reconciliation of profit for the year to net cash generated from/(used in) operations.

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Profit before income tax	2,464,038	833,601
Adjustments for:		
– Depreciation of property, plant and equipment (note 13)	14,097	12,756
– Interest income	(11,037)	(5,025)
– Net foreign exchange gains	(52,663)	—
– Finance costs on disposal of amounts due from joint ventures and an associate	74,876	—
– Amortisation of intangible assets	1,035	952
– Gains from disposal of property, plant and equipment	(638)	(676)
– Share of profits of investments accounted for using the equity method, net	(422,539)	(240,724)
Changes in working capital:		
– Properties under development and completed properties held for sale	(6,045,188)	(8,045,542)
– Trade and other receivables	(200,630)	321,086
– Prepayments	5,903,953	(128,169)
– Pre-sale proceeds received from customers	1,983,127	1,298,055
– Trade and other payables	288,955	195,551
– Restricted cash	94,126	(127,434)
Cash generated from/(used in) operations	<u>4,091,512</u>	<u>(5,885,569)</u>

31 FINANCIAL GUARANTEE

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (note a)	6,412,925	3,579,851
Guarantee provided for the borrowings of the joint ventures and related party (note b and note 33(d) (ii))	3,031,410	2,092,700
	<u>9,444,335</u>	<u>5,672,551</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 FINANCIAL GUARANTEE *(continued)*

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

- (b) Amounts represented the maximum exposure of the guarantees provided by the Group.

32 COMMITMENTS

- (a) Commitments for property development expenditures as at 31 December 2015 as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	4,038,906	4,534,954
– Land use rights	3,310,000	4,734,311
	<u>7,348,906</u>	<u>9,269,265</u>

- (b) Operating leases commitments – the Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
– Not later than one year	17,948	17,291
– Later than one year and not later than three years	9,457	11,998
	<u>27,405</u>	<u>29,289</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS

(a) Major related parties that had transactions during the year with the Group are as follows:

Related parties	Relationship with the Group
Rongxin (Fujian) Property Management Co., Ltd. 融信（福建）物業管理有限公司	A company controlled by the Controlling Shareholder
Fujian Dingcheng Investment Co., Ltd. (“Dingcheng”) 福建鼎誠投資有限公司	A company controlled by the Controlling Shareholder
Hemei (Zhangzhou) Hotel Investment Co., Ltd. 和美（漳州）酒店投資有限公司	A company controlled by the Controlling Shareholder
Mr. Ou	Controlling Shareholder and director of the Company
Ms. Xu Lixiang (許麗香)	Family member of Mr. Ou

The English names of the PRC companies referred to above in this note represent management’s best efforts in translating the Chinese names of those companies as no English names have been registered or available.

(b) Key management compensation

Compensation for key management other than those for directors as disclosed in note 8(a) is set out below.

	Year ended 31 December	
	2015 RMB’000	2014 RMB’000
Key management compensation		
– Salaries and other employee benefits	2,059	3,182
– Pension costs	64	87
	<u>2,123</u>	<u>3,269</u>

(c) Balances with related parties

	As at 31 December	
	2015 RMB’000	2014 RMB’000
Amounts due to other related parties:		
– Mr. Ou	237,500	627,057
– Rongxin (Fujian) Property Management Co., Ltd.	27,047	8,541
– Dingxin	460	—
– Dingcheng	—	888,251
Amounts due to joint ventures:		
– Shiou Group	—	1,448,773
– Fuzhou Liboshuntai Property Development Co., Ltd.	—	235,000
	<u>265,007</u>	<u>3,207,622</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties *(continued)*

Amounts due to Mr. Ou and Dingxin mainly represent cash advances which are unsecured, interest-free, repayable on demand and denominated in RMB (31 December 2014: same). Amounts due to Mr. Ou and Dingxin as at 31 December 2015 were subsequently settled.

Amounts due to Rongxin (Fujian) Property Management Co., Ltd. represent mainly the payables of property management fees which are unsecured, interest free, and to be settled according to agreed terms and are denominated in RMB.

(d) Transactions with related parties

During the year ended 31 December 2015, the Group had the following significant transactions with related parties.

The directors of the Company are of the opinion that the following related party transactions were conducted on normal commercial terms and in the ordinary course of business.

(i) Property management services provided by a related party

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
– Rongxin (Fujian) Property Management Co., Ltd.	38,941	24,745

(ii) Guarantee for borrowings of related parties

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Guarantee to joint ventures:		
– Shiou Group	2,689,500	1,544,700
– Fuzhou Liboshuntai Property Development Co., Ltd.	45,000	140,000
– Shanghai Kaitai Property Development Co., Ltd.	296,910	—
Guarantee to other related party:		
– Hemei (Zhangzhou) Hotel Investment Co., Ltd.	—	408,000
	<u>3,031,410</u>	<u>2,092,700</u>

(iii) Movements of cash advances

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Cash advances to related parties		
Opening balances	2,713,147	3,324,359
Non-cash transaction		
– Transfer from prepayment for investment in a joint venture when the joint venture was incorporated	<u>—</u>	<u>156,208</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with related parties (continued)

(iii) Movements of cash advances (continued)

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Advances to		
– Shanghai Kairi Property Development Co., Ltd.	—	59,442
– Shanghai Kaichang Property Development Co., Ltd.	—	239,769
– Shanghai Kaiyu Property Development Co., Ltd.	—	207,407
– Shanghai Kaichong Property Development Co., Ltd.	—	83,984
– Hairong (Zhangzhou) Property Development Co., Ltd.	—	115,896
– Zhangzhou City Wankebinjiang Property Co., Ltd.	—	11,081
	<u>—</u>	<u>717,579</u>
Repayments from		
– Fuzhou Liboshuntai Property Development Co., Ltd.	—	(120,000)
– Shanghai Kaidai Property Development Co., Ltd.	(267,589)	(1,008,500)
– Shanghai Kaitai Property Development Co., Ltd.	—	(356,499)
– Shanghai Kairi Property Development Co., Ltd.	(36,474)	—
– Shanghai Kaiyu Property Development Co., Ltd.	(207,407)	—
– Hairong (Zhangzhou) Property Development Co., Ltd.	(155,282)	—
– Zhangzhou City Wankebinjiang Property Co., Ltd.	(174,481)	—
– Shanghai Kaichang property development Co., Ltd.	(8)	—
	<u>(841,241)</u>	<u>(1,484,999)</u>
Disposal of amounts due from joint ventures and an associate (Note (iii-1))		
– Shanghai Kai Tai Property Development Co., Ltd.	(1,390,787)	—
– Shanghai Kaichang Property Development Co., Ltd.	(239,761)	—
– Hairong (Zhangzhou) Property Co., Ltd.	(116,822)	—
– Shanghai Kaichong Property Development Co., Ltd.	(83,984)	—
– Zhangzhou City Wankebinjiang Property Co., Ltd.	(17,584)	—
– Shanghai Kairi Property Development Co., Ltd.	(22,968)	—
	<u>(1,871,906)</u>	<u>—</u>
	<u>—</u>	<u>2,713,147</u>

(iii-1) In December 2015, the Group entered into an agreement with an independent financial institution, pursuant to which the Group transferred its rights over the amounts due from these joint ventures and an associate of RMB1,871,906,000 in aggregate to the financial institution at consideration of RMB1,797,030,000. The difference of RMB74,876,000 was recognised as finance costs in the consolidated income statement for the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS *(continued)*

(d) Transactions with related parties *(continued)*

(iii) Movements of cash advances *(continued)*

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Cash advances from related parties		
Opening balances	3,199,081	1,869,745
Non-cash transaction		
– Offset the dividend receivable from Shiou Group with the amounts due to Shiou Group	(487,120)	—
Payables to		
– Dingcheng during the Reorganisation	—	441,316
– Mr. Ou during the Reorganisation	—	332,222
	—	773,538
Advances from		
– Mr. Ou	—	257,650
– Shiou Group	—	318,500
– Fuzhou Liboshuntai Property Development Co., Ltd.	—	235,000
– Dingxin	460	—
	460	811,150
Repayments to		
– Shiou Group	(961,653)	—
– Fuzhou Liboshuntai Property Development Co., Ltd.	(235,000)	—
– Mr. Ou	(389,557)	—
– Dingcheng	(888,251)	(255,352)
	(2,474,461)	(255,352)
	237,960	3,199,081

The cash advances with related parties are denominated and settled in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) The following is a list of the principal subsidiaries at 31 December 2015:

Name of companies Directly held by the Company	Type of legal status	Place of operation/ establishment	Principal activities	Authorised/registered/ paid up capital and debt securities	Proportion of ownership interest held by the Group at 31 December		Proportion of ownership interest held by non-controlling interests at 31 December	
					2015	2014	2015	2014
Indirectly held by the Company								
融泰有限公司	Rongtai Company Limited	BVI	Investment	Authorised and paid up capital of US\$100	100%	100%	—	—
融建融晟美商務資訊諮詢有限公司	Rongtai Company Limited	Hong Kong PRC	Investment	Paid up capital of HKD100	100%	100%	—	—
福州晟業投資有限公司	Fujian Rongshengmei Business Information Consultation Co., Ltd	PRC	Business Information Consultation	Registered capital of RMB 100,000,000 and paid up capital of nil	100%	100%	—	—
福州羿恒投資有限公司	Fuzhou Shengye Co., Ltd	PRC	Investment	Registered and paid up capital of RMB100,000,000	100%	100%	—	—
融信 (福建) 投資集團有限公司	Fuzhou Yiheng Co., Ltd	PRC	Investment	Registered and paid up capital of RMB100,000,000	100%	100%	—	—
	Rongxin Fujian	PRC	Property Development	Registered and paid up capital of RMB3,000,000,000; Public Corporate Bond of RMB 1,171,463,000(Note 28 (c))	100%	100%	—	—
融信 (福州) 投資發展有限公司	Rongxin (Fuzhou) Investment Development Co., Ltd	PRC	Property Development	Registered and paid up capital of RMB100,000,000	100%	100%	—	—
融信 (漳州) 房地產有限公司	Rongxin (Zhangzhou) Property Co., Ltd	PRC	Property Development	Registered and paid up capital of RMB260,000,000	100%	100%	—	—
融信 (福州) 置業有限公司	Rongxin (Fuzhou) Property Co., Ltd	PRC	Property Development	Registered and paid up capital of RMB166,666,700	91%	91%	9%	9%
融信 (廈門) 房地產開發有限公司	Rongxin (Xiamen) Property Development Co., Ltd	PRC	Property Development	Registered and paid up capital of RMB200,000,000	100%	100%	—	—
融信 (平潭) 投資發展有限公司	Rongxin (Pingtan) Investment Development Co., Ltd	PRC	Property Development	Registered and paid up capital of RMB196,078,431	51%	100%	49%	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) The following is a list of the principal subsidiaries at 31 December 2015: (continued)

Name of companies	Type of legal status	Place of operation/ establishment	Principal activities	Authorised/registered/ paid up capital and debt securities	Proportion of ownership interest held by the Group at 31 December		Proportion of ownership interest held by non-controlling interests at 31 December	
					2015	2014	2015	2014
和美 (上海) 房地產開發有限公司	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB19,607,843	51%	100%	49%	—
福建藍湖房地產開發有限公司	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB110,000,000	100%	100%	—	—
杭州愷樂融信房地產開發有限公司	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB510,000,000	51%	100%	49%	—
福州融信雙杭投資發展有限公司	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB100,000,000	100%	100%	—	—
融信 (福建) 置業有限公司	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB100,000,000	100%	100%	—	—
杭州融信愷昇房地產開發有限公司	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB1,000,000,000	100%	100%	—	—
和美 (漳州) 房地產有限公司	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB50,000,000	100%	100%	—	—
長樂融信投資有限公司	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB500,000,000	100%	100%	—	—

The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

- (b) Certain equity interests in the subsidiaries of the Company were pledged for financing arrangements of the Group as at 31 December 2015.

	As at 31 December	
	2015	2014
Percentage of equity interests in:		
– Rongxin (Fujian) investment Group Co., Ltd.	14%	49%
– Rongxin (Pingtan) Investment Development Co., Ltd.	100%	100%
– Rongxin (Xiamen) Property Development Co., Ltd.	51%	51%
– Hangzhou Kai Zhu Rongxin Property Development Co., Ltd.	10%	51%
– Hemei (Shanghai) Property Development Co., Ltd.	100%	100%
– Hemei (Zhangzhou) Property Co., Ltd.	51%	51%
– Fujian Lanhu Property Development Co., Ltd.	51%	51%
– Rongxin (Fujian) Property Co., Ltd.	66%	66%
– Hangzhou Rongxin Kaisheng Property Development Co., Ltd.	100%	60%
– Changle Rongxin Investment Co., Ltd.	100%	30%
– Fujian Taikun Trading Co., Ltd.	100%	100%
– Rongxin (Zhangzhou) Property Co., Ltd.	100%	—
– Fuzhou Rongxin Shuanghang Investment Development Co., Ltd.	—	30%
– Rongxin (Fuzhou) Property Co., Ltd.	—	60%

- (c) Equity interests of certain subsidiaries of the Group as set out below were legally held by the financial institutions as the collateral for the funds injected to the Group of which the Group is obligated to redeem at predetermined prices within certain periods.

	As at 31 December	
	2015	2014
Percentage of equity interests in:		
– Rongxin (Xiamen) Property Development Co., Ltd.	49%	49%
– Hangzhou Kaizhu Rongxin Property Development Co., Ltd.	90%	49%
– Hemei (Zhangzhou) Property Co., Ltd.	49%	49%
– Fujian Lanhu Property Development Co., Ltd.	49%	49%
– Fujian Ouke Investment Co., Ltd.	100%	100%
– Fuzhou Rongxin Shuanghang Investment Development Co., Ltd.	—	70%
– Rongxin (Fuzhou) Property Co., Ltd.	—	40%
– Hangzhou Rongxin Kaisheng Property Development Co., Ltd.	—	40%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

(d) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

(i) Rongxin (Pingtan) Investment Development Co., Ltd.

Summarised balance sheet

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Current		
Assets	3,123,529	1,770,053
Liabilities	(1,971,322)	(1,700,534)
Total net current assets	1,152,207	69,519
Non-current		
Assets	14,980	7,720
Liabilities	(500,000)	—
Total net non-current (liabilities)/assets	(485,020)	7,720
Net assets	667,187	77,239
Proportionate share of the net assets attributable to non-controlling interests	326,922	N/A

Summarised income statement and statement of comprehensive income

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Loss before income tax	(29,320)	(22,085)
Income tax credit	7,268	5,444
Loss for the year	(22,052)	(16,641)
Total comprehensive loss for the year	(22,052)	(16,641)
Total loss and comprehensive loss for the year allocated to non-controlling interests	(6,597)	N/A

Summarised statement of cash flows

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Net cash generated from operating activities	637,830	113,459
Net cash (used in)/generated from investing activities	(806,018)	693,270
Net cash generated from/(used in) financing activities	155,225	(929,638)
Net decrease in cash and cash equivalents	(12,963)	(122,909)
Cash and cash equivalents at beginning of the year	28,373	151,282
Cash and cash equivalents at end of the year	15,410	28,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

(d) Summarised financial information on subsidiaries with material non-controlling interests *(continued)*

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. *(continued)*

(ii) Hemei (Shanghai) Property Development Co., Ltd

Summarised consolidated balance sheet

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Current		
Assets	9,897,964	6,220,226
Liabilities	(6,495,452)	(2,737,428)
Total net current assets	3,402,512	3,482,798
Non-current		
Assets	62,324	38,633
Liabilities	(2,589,000)	(3,600,000)
Total net non-current liabilities	(2,526,676)	(3,561,367)
Net assets/(deficits)	875,836	(78,569)
Proportionate share of the net assets attributable to non-controlling interests	429,160	N/A

Summarised consolidated income statement and consolidated statement of comprehensive income

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Loss before income tax	(108,520)	(109,011)
Income tax credit	26,925	27,033
Loss for the year	(81,595)	(81,978)
Total comprehensive loss for the year	(81,595)	(81,978)
Total loss and comprehensive loss for the year allocated to non-controlling interests	(26,235)	N/A

Summarised consolidated statement of cash flows

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Net cash generated from/(used in) operating activities	1,378,479	(2,102,307)
Net cash used in investing activities	(329,870)	(73,010)
Net cash generated from financing activities	933,221	2,420,610
Net increase in cash and cash equivalents	1,981,830	245,293
Cash and cash equivalents at beginning of the year	254,276	8,983
Cash and cash equivalents at end of the year	2,236,106	254,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December	
		2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
ASSETS			
Non-current assets			
Investment in a subsidiary		1	1
Current assets			
Prepayments		9,564	4,950
Term deposits with initial terms of over three months		1,021,799	—
Cash and cash equivalents		10,717	—
		<u>1,042,080</u>	<u>4,950</u>
Total assets		<u>1,042,081</u>	<u>4,951</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		—	—
Share premium		989,745	—
Retained earnings/(accumulated losses)	(a)	20,692	(14,420)
		<u>1,010,437</u>	<u>(14,420)</u>
LIABILITIES			
Current liabilities			
Other payables		15,379	10,257
Amounts due to a related party		460	—
Amounts due to a subsidiary		15,805	9,114
		<u>31,644</u>	<u>19,371</u>
Total liabilities		<u>31,644</u>	<u>19,371</u>
Total equity and liabilities		<u>1,042,081</u>	<u>4,951</u>

The balance sheet of the Company was approved by the Board on 23 March 2016 and was signed on its behalf.

Ou Zonghong

Zeng Feiyan

Note (a) Reserve movement of the Company

	(Accumulated losses)/ retained earnings <i>RMB'000</i>
At 11 September 2014 (date of incorporation)	—
Loss for the period	(14,420)
At 31 December 2014	(14,420)
Profit for the year	35,112
At 31 December 2015	<u>20,692</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 SUBSEQUENT EVENTS

(a) Capitalisation issue

On 13 January 2016 (the “Listing Date”), the Company issued 1,012,499,000 ordinary shares at par value of HK\$0.00001 each to holders of shares on the register of members of the Company at the close of business on the business day immediately preceding the Listing Date by way of capitalisation of an amount of HK\$10,125 standing to the credit of the share premium account of the Company.

(b) Initial global offering

On the Listing Date, the Company issued a total of 337,500,000 ordinary shares of HK\$0.00001 each at a price of HK\$5.36 per share as a result of the completion of the initial global offering.

On 28 January 2016, 2,348,000 shares were issued according to the over-allotment option described in the Prospectus of the Company dated 31 December 2015 at a price of HK\$5.36 per share.

Number of total issued shares of the Company was increased to 1,352,348,000 shares upon completion of the capitalisation issue, the initial global offering and exercise of over-allotment option.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

31 December 2015

The Board of Directors
Ronshine China Holdings Limited

ICBC International Capital Limited

Dear Sirs,

We report on the financial information of Ronshine China Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2012, 2013 and 2014 and 30 June 2015, the balance sheets of the Company as at 31 December 2014 and 30 June 2015, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statement of cash flows for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 31 December 2015 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation", which was completed on 18 December 2014, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, joint ventures and an associate as set out in Note 16 and Note 34 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 34 of Section II.

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The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2014 and 30 June 2015 and of the state of affairs of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the Group’s results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub comparative period financial information set out in Sections I to II below included in Appendix I to the Prospectus, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2014, and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independence Auditor of the Entity” issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2012, 2013, 2014 and 30 June 2015 and for each of the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015 (the “Financial Information”), presented on the basis set out in Note 1.3 of Section II:

(a) Consolidated income statements

	Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	1,291,127	2,128,898	4,099,230	902,636	2,106,515
Cost of sales	7	(978,565)	(1,374,229)	(2,959,228)	(607,964)	(1,485,204)
Gross profit		312,562	754,669	1,140,002	294,672	621,311
Selling and marketing costs	7	(101,898)	(174,493)	(288,873)	(120,561)	(166,162)
Administrative expenses	7	(81,489)	(150,337)	(267,006)	(101,279)	(119,820)
Other income		1,631	3,396	3,729	2,014	4,716
Operating profit		130,806	433,235	587,852	74,846	340,045
Finance income - net	9	1,409	2,071	5,025	1,932	5,674
Share of profits of investments accounted for using the equity method, net	16	130,600	324,204	240,724	187,960	116,772
Profit before income tax		262,815	759,510	833,601	264,738	462,491
Income tax expenses	10	(75,270)	(243,782)	(331,962)	(69,288)	(181,407)
Profit for the year/period		<u>187,545</u>	<u>515,728</u>	<u>501,639</u>	<u>195,450</u>	<u>281,084</u>
Profit/(loss) for the year/period attributable to:						
Owners of the Company		187,545	517,691	506,507	197,857	288,806
Non-controlling interests		—	(1,963)	(4,868)	(2,407)	(7,722)
		<u>187,545</u>	<u>515,728</u>	<u>501,639</u>	<u>195,450</u>	<u>281,084</u>
Earnings per share for profit attributable to owners of the Company						
- Basic and diluted	11	<u>1,875</u>	<u>5,177</u>	<u>5,065</u>	<u>1,979</u>	<u>2,888</u>
Dividends	12	<u>—</u>	<u>—</u>	<u>338,000</u>	<u>—</u>	<u>—</u>

Note: The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolutions in writing of the sole shareholder passed on 28 December 2015 (note 35(b)) because the proposed capitalisation issue has not become effective as at the date of this report.

(b) Consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period	187,545	515,728	501,639	195,450	281,084
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	<u>187,545</u>	<u>515,728</u>	<u>501,639</u>	<u>195,450</u>	<u>281,084</u>
Attributable to:					
Owners of the Company	187,545	517,691	506,507	197,857	288,806
Non-controlling interests	—	(1,963)	(4,868)	(2,407)	(7,722)
	<u>187,545</u>	<u>515,728</u>	<u>501,639</u>	<u>195,450</u>	<u>281,084</u>

(c) Consolidated balance sheets

		As at 31 December			As at 30 June
	Note	2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	28,076	111,250	463,864	632,132
Land use rights	14	330,932	513,393	498,590	492,096
Intangible assets		539	1,520	3,368	3,031
Investments accounted for using the equity method	16	273,391	609,595	2,355,819	2,716,090
Other receivables	19	82,000	2,896	2,691	2,691
Available-for-sale financial assets		—	—	1,000	47,000
Deferred tax assets	15	21,238	72,291	134,412	162,434
		<u>736,176</u>	<u>1,310,945</u>	<u>3,459,744</u>	<u>4,055,474</u>
Current assets					
Properties under development	18	3,699,834	8,574,473	14,907,113	22,725,202
Completed properties held for sale	18	1,149,925	920,535	866,423	367,966
Trade and other receivables and prepayments	19	766,716	3,690,376	7,664,116	2,700,324
Amounts due from related parties	33	950,823	3,324,359	2,713,147	2,014,266
Amounts due from customers for contract works	20	21,803	63,086	114,627	136,675
Prepaid taxation		95,053	145,660	390,218	383,198
Available-for-sale financial assets		16,000	9,000	20,000	—
Term deposits with initial terms of over three months	23	—	5,500	—	—
Restricted cash	21	13,526	14,505	741,736	414,945
Cash and cash equivalents	22	123,939	696,090	657,637	843,766
		<u>6,837,619</u>	<u>17,443,584</u>	<u>28,075,017</u>	<u>29,586,342</u>
Total assets		7,573,795	18,754,529	31,534,761	33,641,816

		As at 31 December			As at 30 June
	Note	2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Capital and reserves attributable to the owners of the Company					
Share capital	24	—	—	—	—
Reserves	25, 26	1,006,776	1,525,908	1,020,877	2,013,016
		1,006,776	1,525,908	1,020,877	2,013,016
Non-controlling interests	27, 34(d)	—	13,037	8,169	639,714
Total equity		<u>1,006,776</u>	<u>1,538,945</u>	<u>1,029,046</u>	<u>2,652,730</u>
LIABILITIES					
Non-current liabilities					
Borrowings	28	<u>710,000</u>	<u>4,985,700</u>	<u>10,999,600</u>	<u>9,223,200</u>
Current liabilities					
Trade and other payables	29	587,862	640,588	1,277,317	1,395,940
Amounts due to related parties	33	857,772	1,871,328	3,207,622	1,734,837
Dividend payable		—	—	338,000	—
Pre-sale proceeds received from customers		3,260,385	6,088,312	8,099,997	9,343,791
Current income tax liabilities		—	143,316	323,979	271,868
Borrowings	28	<u>1,151,000</u>	<u>3,486,340</u>	<u>6,259,200</u>	<u>9,019,450</u>
		<u>5,857,019</u>	<u>12,229,884</u>	<u>19,506,115</u>	<u>21,765,886</u>
Total liabilities		<u>6,567,019</u>	<u>17,215,584</u>	<u>30,505,715</u>	<u>30,989,086</u>
Total equity and liabilities		<u>7,573,795</u>	<u>18,754,529</u>	<u>31,534,761</u>	<u>33,641,816</u>
Net current assets		<u>980,600</u>	<u>5,213,700</u>	<u>8,568,902</u>	<u>7,820,456</u>
Total assets less current liabilities		<u>1,716,776</u>	<u>6,524,645</u>	<u>12,028,646</u>	<u>11,875,930</u>

(d) **Balance sheets**

	Note	As at 31 December 2014 RMB'000	As at 30 June 2015 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	34	<u>1</u>	<u>1</u>
Current assets			
Prepayments	19	4,950	7,250
Cash and cash equivalents		<u>—</u>	<u>—</u>
		<u>4,950</u>	<u>7,250</u>
Total assets		<u><u>4,951</u></u>	<u><u>7,251</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	<u>—</u>	<u>—</u>
Accumulated losses		<u>(14,420)</u>	<u>(21,501)</u>
		<u>(14,420)</u>	<u>(21,501)</u>
LIABILITIES			
Current liabilities			
Other payables	29	10,257	16,683
Amounts due to a subsidiary		<u>9,114</u>	<u>12,069</u>
		<u>19,371</u>	<u>28,752</u>
Total liabilities		<u>19,371</u>	<u>28,752</u>
Total equity and liabilities		<u><u>4,951</u></u>	<u><u>7,251</u></u>
Net current liabilities		<u>(14,421)</u>	<u>(21,502)</u>
Total assets less current liabilities		<u>(14,420)</u>	<u>(21,501)</u>

(e) Consolidated statements of changes in equity

	Attributable to the owners of the Company				Total RMB'000	Non- controlling interests RMB'000 (Note 27 and 34(d))	Total equity RMB'000
	Share capital	Capital reserves	Statutory reserves	(Accumulated losses)/ retained earnings			
	RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000			
Balance at 1 January 2012	—	340,000	—	(17,069)	322,931	—	322,931
Comprehensive income							
- Profit for the year	—	—	—	187,545	187,545	—	187,545
- Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	187,545	187,545	—	187,545
Capitalisation of amounts due to the then shareholders of the Group	—	496,300	—	—	496,300	—	496,300
Balance at 31 December 2012	—	836,300	—	170,476	1,006,776	—	1,006,776
Balance at 1 January 2013	—	836,300	—	170,476	1,006,776	—	1,006,776
Comprehensive income							
- Profit/(loss) for the year . . .	—	—	—	517,691	517,691	(1,963)	515,728
- Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	517,691	517,691	(1,963)	515,728
Deemed contributions from the then shareholders of the Group	—	1,441	—	—	1,441	—	1,441
Capital injection from non- controlling interests	—	—	—	—	—	15,000	15,000
Balance at 31 December 2013	—	837,741	—	688,167	1,525,908	13,037	1,538,945
Balance at 1 January 2014	—	837,741	—	688,167	1,525,908	13,037	1,538,945
Comprehensive income							
- Profit/(loss) for the year . . .	—	—	—	506,507	506,507	(4,868)	501,639
- Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	506,507	506,507	(4,868)	501,639
Transfer to statutory reserves	—	—	163,493	(163,493)	—	—	—
Capital injection from the then shareholders of the Group (note 1.2 (e))	—	100,000	—	—	100,000	—	100,000
Dividends declared to the then shareholders of the Group	—	—	—	(338,000)	(338,000)	—	(338,000)
Deemed distributions to the then shareholders of the Group (note 1.2(h),(i))	—	(773,538)	—	—	(773,538)	—	(773,538)
Balance at 31 December 2014	—	164,203	163,493	693,181	1,020,877	8,169	1,029,046

	Attributable to the owners of the Company						
	Share capital	Capital reserves	Statutory reserves	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 24)	(Note 25)	(Note 26)			(Note 27 and 34(d))	
Balance at 1 January 2015	—	164,203	163,493	693,181	1,020,877	8,169	1,029,046
Comprehensive income							
- Profit/(loss) for the period	—	—	—	288,806	288,806	(7,722)	281,084
- Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income . . .	—	—	—	288,806	288,806	(7,722)	281,084
Capital injection from non-controlling interests (note 27)	—	703,333	—	—	703,333	639,267	1,342,600
Balance at 30 June 2015	<u>—</u>	<u>867,536</u>	<u>163,493</u>	<u>981,987</u>	<u>2,013,016</u>	<u>639,714</u>	<u>2,652,730</u>
Unaudited:							
Balance at 1 January 2014	—	837,741	—	688,167	1,525,908	13,037	1,538,945
Comprehensive income							
- Profit/(loss) for the period	—	—	—	197,857	197,857	(2,407)	195,450
- Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income . . .	—	—	—	197,857	197,857	(2,407)	195,450
Balance at 30 June 2014	<u>—</u>	<u>837,741</u>	<u>—</u>	<u>886,024</u>	<u>1,723,765</u>	<u>10,630</u>	<u>1,734,395</u>

(f) Consolidated statements of cash flows

		Year ended 31 December			Six months ended 30 June	
	Note	2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash (used in)/generated from operations	30	(39,020)	(3,502,157)	(5,885,569)	(3,692,677)	414,836
PRC corporate income tax paid		(32,530)	(84,874)	(146,188)	(97,339)	(56,048)
PRC land appreciation tax paid		(85,342)	(117,252)	(311,790)	(203,255)	(198,472)
Net cash (used in)/generated from operating activities		(156,892)	(3,704,283)	(6,343,547)	(3,993,271)	160,316
Cash flows from investing activities						
Payments for purchase of property and equipment		(16,795)	(68,738)	(290,802)	(114,205)	(167,523)
Payments for purchase of intangible assets		(657)	(1,324)	(2,800)	(757)	(193)
Payments for purchase of land use rights of properties for own use		(327,271)	(190,676)	—	—	—
Proceeds from disposal of property and equipment		6	429	1,589	630	1,294
Capital injection to joint ventures . .		(10,000)	(10,000)	(1,407,500)	(1,017,300)	(243,500)
Capital injection to an associate		—	(2,000)	(98,000)	(98,000)	—
Payments for acquisition of available-for-sale financial assets		—	(9,000)	(21,000)	(6,800)	(46,000)
Proceeds from disposal of available-for-sale financial assets		—	16,000	9,000	9,000	20,000
Proceeds from disposal of subsidiaries to the then shareholders of the Group		—	1,441	—	—	—
Cash advances to related parties . . .	33(d)(iii)	(382,096)	(3,204,359)	(717,579)	(217,465)	—
Repayments from related parties . . .	33(d)(iii)	228,503	830,823	1,484,999	1,155,380	698,881
Prepayment for investment in a joint venture		—	(156,208)	—	—	—
Interest received		1,409	2,071	5,025	1,932	5,674
(Increase)/decrease in term deposits with initial terms of over three months		—	(5,500)	5,500	5,500	—
Net cash (used in)/generated from investing activities		(506,901)	(2,797,041)	(1,031,568)	(282,085)	268,633
Cash flows from financing activities						
Proceeds from borrowings		1,355,000	7,759,040	14,075,042	6,058,742	7,581,700

	Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Repayment of borrowings		(1,330,300)	(1,148,000)	(5,288,282)	(2,062,060)	(6,597,850)
Cash advances from related parties	33(d)(iii)	1,787,653	1,448,058	811,150	808,801	52,000
Repayments to related parties	33(d)(iii)	(828,784)	(434,666)	(255,352)	—	(1,530,875)
Capital injection from the then shareholders of the Group		—	—	100,000	—	—
Capital injection from non-controlling interests		—	15,000	—	—	1,342,600
Dividends paid to the then shareholders		—	—	—	—	(338,000)
Interest paid		(312,739)	(566,992)	(1,506,099)	(619,442)	(1,047,705)
Restricted cash pledged for borrowings		—	(2,000)	(599,802)	(118,500)	(866,431)
Restricted cash released		289	3,035	5	5	1,161,741
Net cash generated from/(used in) financing activities		671,119	7,073,475	7,336,662	4,067,546	(242,820)
Net increase/(decrease) in cash and cash equivalents		7,326	572,151	(38,453)	(207,810)	186,129
Cash and cash equivalents at beginning of the year/period . . .		116,613	123,939	696,090	696,090	657,637
Cash and cash equivalents at end of the year/period		123,939	696,090	657,637	488,280	843,766

II. NOTES TO THE FINANCIAL INFORMATION

1. General information, reorganisation and basis of presentation

1.1 General information

Ronshine China Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P O Box 2681, Grand Cayman, KY1-111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the group (the “Group”) are principally engaged in property development business (the “Listing Business”) in the People’s Republic of China (the “PRC”).

The Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

1.2 Reorganisation

Prior to the completion of the reorganisation (the “Reorganisation”) as described below, the Listing Business was principally operated by Rongxin (Fujian) Investment Group Co., Ltd. (“Rongxin Group”) and its subsidiaries. The Listing Business is ultimately controlled by Mr. Ou Zonghong (歐宗洪, “Mr. Ou” or “Controlling Shareholder”) throughout the Relevant Periods.

Prior to the completion of the Reorganisation, Rongxin Group also held certain subsidiaries engaged in construction of highway, property investments and management, hotel construction and operations (collectively, the “Non-listing Business”). The Listing Business and the Non-listing Business are operated independently and managed by different management teams. For the purpose of this report, only the financial information of the Listing Business was included throughout the Relevant Periods.

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”), the Reorganisation was undertaken pursuant to which the group companies engaged in the Listing Business and controlled by Rongxin Group were transferred to the Company. The Reorganisation involves the following major steps:

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 11 September 2014, all the issued ordinary shares were held by Dingxin Company Limited, a company wholly owned by Mr. Ou Guofei (歐國飛, family member of Mr. Ou).
- (b) Rongda Company Limited was incorporated in the British Virgin Islands (the “BVI”) with limited liability on 11 September 2014 by the Company.
- (c) Rongtai Company Limited was incorporated in Hong Kong with limited liability on 26 September 2014 by Rongda Company Limited.
- (d) On 28 October 2014, Fujian Rongshengmei Business Information Consultancy Company Limited (“Fujian Rongshengmei”) was established by Rongtai Company Limited as a wholly foreign-owned enterprise in the PRC.
- (e) On 9 September 2014, Fuzhou Shengye Investment Company Limited (“Fuzhou Shengye”) was established in the PRC by Fujian Dingcheng Investment Co., Ltd. (“Dingcheng Investment”, a company controlled by Mr. Ou and held 49% equity interest in Rongxin Group before the Reorganisation), with the registered capital of RMB100,000,000 which has been fully contributed by Dingcheng Investment.

- (f) On 12 September 2014, Fuzhou Yiheng Investment Company Limited (“Fuzhou Yiheng”) was established in the PRC by Fuzhou Shengye.
- (g) On 15 September 2014, the registered capital of Rongxin Group was increased from RMB666,670,000 to RMB3,000,000,000, with the additional capital contributed by Fuzhou Yiheng. Following such increase in registered capital, Rongxin Group was 10.96%, 0.37%, 10.89% and 77.78% owned by Mr. Ou, Ms. Xu Lixiang (“Ms. Xu”, spouse of Mr. Ou), Dingcheng Investment and Fuzhou Yiheng respectively.
- (h) On 18 December 2014, Fuzhou Yiheng acquired the 10.96%, 0.37% and 10.89% equity interests in Rongxin Group from Mr. Ou, Ms. Xu and Dingcheng Investment, respectively, at a total consideration of RMB673,538,000. As a result of the acquisition, Rongxin Group became a wholly-owned subsidiary of Fuzhou Yiheng.
- (i) On 18 December 2014, Fujian Rongshengmei acquired the entire equity interests in Fuzhou Shengye from Dingcheng Investment at a consideration of RMB100,000,000. As a result of the acquisition, Fuzhou Shengye became a wholly-owned subsidiary of Fujian Rongshengmei and accordingly, Rongxin Group became an indirectly wholly-owned subsidiary of the Company.

After the completion of Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

1.3 *Basis of presentation*

Immediately prior to and after the Reorganisation, the Listing Business is conducted through Rongxin Group and its subsidiaries and is ultimately controlled by Mr. Ou. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the ultimate owner of the Listing Business remained the same. Accordingly, the Financial Information of the Group is presented using the carrying values of the Listing Business under Rongxin Group for all periods presented.

2. **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods.

2.1 *Basis of preparation*

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The Financial Information are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for all the periods presented.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments and interpretation which are not yet effective during the Relevant Periods and have not been early adopted by the Group:

HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception ¹
HKAS 27 (Amendment)	Equity method in separate financial statements ¹
Annual improvements 2014	Annual Improvements 2012—2014 cycle ¹
HKAS 1 (Amendment)	Disclosure initiative ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKAS 16 and HKAS 41	Agriculture: bearer plants ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 9	Financial Instruments ²

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

The above new standards, interpretation and amendments to existing standards will be adopted in the years listed above and the Group is in the process of assessing the financial impact in future accounting periods.

In addition, the requirements of revised listing rules on disclosure of financial information with reference to the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year ending on or after 31 December 2015. The Group is in the process of making an assessment of expected impact of the changes. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

The Group finances its property development projects primarily through funding obtained from financial institutions and the proceeds from pre-sale of properties. The directors of the Company closely monitor the Group's financial performance and liquidity requirements to safeguard the Group's ability to continue as a going concern. To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015. Total borrowings of the Group increased from RMB1,861 million as of 31 December 2012 to RMB18,243 million as of 30 June 2015, of which RMB9,019 million were due within one year as of 30 June 2015. As of 30 June 2015, the Group's cash and cash equivalents amounted to RMB844 million. Meanwhile, the Group's operating cash outflows amounted to RMB3,704 million and RMB6,344 million for the years ended 31 December 2013 and 2014, respectively, which comprised mainly the payments for acquisition of land use rights for property development projects. In view of the increased borrowings and the operating cash outflows for consecutive years, the directors have reviewed the working capital forecast of the Group covering a period of not less than 12 months from 30 June 2015. The working capital forecast was prepared based on the key assumptions as detailed in note 3.1.3. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash inflows from the pre-sale proceeds of properties and the availability of additional borrowings from financial institutions. The directors, after

considering the basis of the working capital forecast and after taking into account the reasonably possible changes in the operational performance, the availability of the additional borrowings from the financial institutions as well as the alternative mitigation plans, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the balance sheet. Accordingly, the directors consider the preparation of the Financial Information on a going concern basis is appropriate.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group or to Rongxin Group prior to the completion of the Reorganisation. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 *Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statements.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's Financial Information only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.4 *Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company.

2.6 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). This Financial Information is presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

2.7 *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statements during the Relevant Periods in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Office equipment	3-5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

Assets under construction are stated at cost. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property and equipment and depreciated in accordance with the policy as stated above.

The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.8 *Intangible assets*

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (4 to 10 years).

2.9 *Investment property*

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss. During the Relevant Periods, the investment properties of the Group are held by a joint venture.

2.10 *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment

whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 *Properties under development and completed properties held for sale*

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises mainly cost of land use rights, construction costs, borrowing costs, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.12 *Financial assets*

2.12.1 *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's loans and receivables comprise "trade and other receivables", "amounts due from related parties", "restricted cash", "cash and cash equivalents", "term deposits with initial terms of over three months" in the consolidated balance sheets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either so designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

2.12.2 *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group

has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statements.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statements when the Group's right to receive payments is established.

2.13 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 *Impairment of financial assets*

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in

the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statements on equity instruments are not reversed through the consolidated income statements. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statements.

2.15 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage-of-completion” method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the consolidated balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.16 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.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.17 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents, restricted cash and term deposits with initial terms of over three months

In the consolidated statements of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in “restricted cash” of the consolidated balance sheet. Bank deposits with initial terms of over three months are included in “term deposits with initial terms of over three months” in the consolidated balance sheet. Restricted cash and term deposits with initial terms of over three months are excluded from cash and cash equivalents.

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade and other payables

Trade payables are obligations to pay for construction costs or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under

construction, 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.

2.23 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 *Employee benefits*

(a) *Pension obligations*

The group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contributions plans are expensed as incurred.

(b) *Housing benefits*

PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

2.25 *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services provided, stated net of discounts returns and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed, notification of delivery of properties have been issued to the buyers and collectability of related receivables pursuant to the sale agreements is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as “pre-sale proceeds received from customers” under current liabilities.

(b) *Construction contracts*

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion (Note 2.15).

(c) *Interest income*

Interest income is recognised using the effective interest method.

2.27 Financial guarantee liabilities

Financial guarantee contracts in the scope of HKAS39 “Financial Instrument: Recognition and Measurement” are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

2.28 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s and the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders. Dividend distribution to the then shareholders of the group companies during the period before the Reorganisation was completed is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the directors of the respective group companies.

3. Financial risk management

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. The Group’s principal activities are conducted in RMB. The directors are of the opinion that the Group’s activities do not expose it to any significant foreign exchange risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

3.1.1 Interest rate risk

The Group’s interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group’s interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2012, 2013, 2014 and 30 June 2015, if interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 would increase/decrease RMB18,610,000, RMB16,730,000, RMB19,741,000 and RMB11,056,000, respectively, most of which have been capitalised in qualified assets.

3.1.2 Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), term deposits with initial terms of over three months, restricted cash, trade and other receivables, amounts due from related parties and available-for-sale financial assets shown in the consolidated balance sheets.

As at 31 December 2012, 2013, 2014 and 30 June 2015, substantially all the Group's bank deposits are deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2012, 2013, 2014 and 30 June 2015 are as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Big four commercial banks of the PRC (i)	72,283	475,318	320,261	480,396
Other listed banks incorporated in the PRC	54,421	210,414	906,196	509,957
Other non-listed banks incorporated in the PRC	10,715	30,272	172,860	268,330
	<u>137,419</u>	<u>716,004</u>	<u>1,399,317</u>	<u>1,258,683</u>

Note:

- (i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

For the trade receivables arising from sales of properties, the Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 31. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell 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.

For other receivables, amounts due from other related parties, amounts due from an associate and amounts due from joint ventures, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The rapid expansion of the Group's businesses was mainly financed by external borrowings. Total borrowings of the Group increased from RMB1,861 million as of 31 December 2012 to RMB18,243 million as of 30 June 2015, of which RMB9,019 million will be due within one year as of 30 June 2015. In addition, in connection with the Reorganisation (Note 1.2(h)), the Group paid amounts, including the dividend distribution (Note 12), totalling RMB1,012 million to the then controlling shareholders of the Group which significantly reduced the Group's net asset base. In order to properly manage the Group's liquidity risk and capital structure, Dingxin Company Limited has injected cash totalling US\$161 million (equivalent to RMB1,000 million) to the Company as capital contributions in July and August 2015. Moreover, the Group completed the disposal of the 49% equity interest in three projects to Fujian Oushi Construction Development Co., Ltd. (福建歐氏建設發展有限公司, "Fujian Oushi Construction"), a company controlled by a family member of Mr. Ou, at total considerations amounting to RMB1,648 million, of which RMB1,343 million have been received before 30 June 2015 and RMB305 million was received in July 2015 (Note 27).

The directors of the Company have prepared working capital forecast covering a period of not less than 12 months from 30 June 2015 (the "Forecast Period"). Key assumptions used in the preparation of the working capital forecast for the Forecast Period are set out below:

- (1) There will be no material delay in the property development schedules especially the timing of completion and delivery of property development projects which the Group and its joint ventures and associate are currently developing, so that the Group and its joint ventures and associate have sufficient properties available for sale and pre-sale during the Forecast Period;
- (2) Unit selling price of the properties of the Group and its joint ventures and associate in the Forecast Period is not expected to fluctuate significantly from that of the year ended 31 December 2014 and the six months ended 30 June 2015 and the real estate market in the regions where their property development projects are located will not significantly change from the management's estimation;
- (3) On 14 October 2014, the Group entered into a strategic agreement with a financial institution for raising trust loans totalling RMB6,500 million to finance a property development project of the Group. These borrowings are raised phase by phase according to the development progress of the project and repayable according to the pre-sales progress of the project or no later than 3 years from the date of each draw-down. Up to 30 June 2015, borrowings totalling RMB3,400 million have been raised by and drawn down from this financial institution. Management estimates the remaining RMB3,100 million will be raised and utilised by the Group in line with the development progress of the project; and
- (4) The land bank obtained by the Group and its joint ventures and associate as of 30 June 2015 is sufficient for their property development in the Forecast Period, the Group and its joint ventures and associate plan to launch the property projects phase by phase during the Forecast Period. There will be no significant acquisition of land use rights during the Forecast Period.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing, seeking joint venture partners to develop projects, and disposal of certain land use rights or projects under development with acceptable prices. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2012				
Borrowings	1,278,625	53,628	744,557	2,076,810
Trade and other payables, excluding accrual for staff costs and allowances, other taxes payable	569,865	—	—	569,865
Amounts due to related parties	857,772	—	—	857,772
Financial guarantee	2,145,071	—	—	2,145,071
As at 31 December 2013				
Borrowings	4,261,018	2,989,650	2,670,438	9,921,106
Trade and other payables, excluding accrual for staff costs and allowances, other taxes payable	606,772	—	—	606,772
Amounts due to related parties	1,871,328	—	—	1,871,328
Financial guarantee	3,032,062	—	—	3,032,062
As at 31 December 2014				
Borrowings	7,955,924	8,185,288	4,180,489	20,321,701
Trade and other payables, excluding accrual for staff costs and allowances, other taxes payable	1,216,759	—	—	1,216,759
Amounts due to related parties	3,207,622	—	—	3,207,622
Dividend payable	338,000	—	—	338,000
Financial guarantee	5,672,551	—	—	5,672,551
As at 30 June 2015				
Borrowings	10,809,114	10,086,039	179,928	21,075,081
Trade and other payables, excluding accrual for staff costs and allowances, other taxes payable	1,352,896	—	—	1,352,896
Amounts due to related parties	1,734,837	—	—	1,734,837
Financial guarantee	7,512,322	—	—	7,512,322

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (Note 28)	1,861,000	8,472,040	17,258,800	18,242,650
Less: Cash and cash equivalents (Note 22)	(123,939)	(696,090)	(657,637)	(843,766)
Restricted cash (Note 21)	(13,526)	(14,505)	(741,736)	(414,945)
Net borrowings	1,723,535	7,761,445	15,859,427	16,983,939
Total equity	1,006,776	1,538,945	1,029,046	2,652,730
Total capital	2,730,311	9,300,390	16,888,473	19,636,669
Gearing ratio	0.63	0.83	0.94	0.86

The gearing ratios were keeping at a comparatively high level as at 31 December 2012, 2013, 2014 and 30 June 2015, as the Group's businesses were rapidly expanded during the Relevant Periods which is mainly financed by external borrowings.

3.3 Fair value estimation

Certain of the assets of the Group are carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The available-for-sale financial assets are measured at fair value, which is grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, are used to determine fair value for the available-for-sale financial assets. There were no changes in level 3 instruments during the Relevant Periods.

The Group's financial assets include cash and cash equivalents, restricted cash, trade and other receivables, amounts due from related parties, available-for-sale financial assets and term deposits with initial terms of over three months, the Group's financial liabilities include trade and other payables, dividend payable, amounts due to related parties and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

4. Critical accounting estimates and judgments

Estimates and judgments used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the

circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ***Income taxes and deferred taxation***

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

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

(b) ***PRC land appreciation taxes***

The Group is subject to land appreciation taxes in the PRC. The Group has not finalised its PRC land appreciation taxes calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and the related land appreciation taxes. The Group recognised the land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

(c) ***Fair value of investment properties held by joint ventures***

Investment properties in joint ventures, including those completed investment properties and investment properties under construction, are carried at their fair value. The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the joint ventures' investment properties, which will lead to the change of share of results of joint ventures in the Financial Information.

5. Segment information

The Executive Directors have been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance.

The Group is principally engaged in the property development in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the directors of the Company regards that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the Executive Directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC during the Relevant Periods.

As at 31 December 2012, 2013, 2014 and 30 June 2015, all of non-current assets of the Group were located in the PRC.

There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenues during the Relevant Periods.

6. Revenue

Revenue of the Group for each of the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015 are as follow:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from sales of properties	1,265,073	2,075,439	3,996,186	878,936	2,073,632
Revenue from construction contracts (note 20) . . .	26,054	53,459	103,044	23,700	32,883
	<u>1,291,127</u>	<u>2,128,898</u>	<u>4,099,230</u>	<u>902,636</u>	<u>2,106,515</u>

7. Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of properties sold (excluding staff costs)	876,071	1,196,513	2,623,794	531,393	1,322,751
Cost of construction contract (excluding staff costs)	20,043	41,126	86,287	18,233	29,692
Staff costs (including directors' emoluments) (Note 8)	49,134	85,787	152,568	60,462	75,184
Business taxes and other taxes	81,715	146,289	273,314	63,661	126,021
Marketing and advertising costs	80,378	131,032	207,428	90,682	115,761
Office lease payments	2,987	7,601	19,837	9,839	11,929
Property management fees	8,727	13,047	27,590	9,686	17,199
Office and travelling expenses	5,154	12,648	21,843	7,271	9,359
Entertainment expenses	14,179	14,810	15,268	6,660	5,850
Depreciation (Note 13)	5,048	8,365	12,756	5,966	7,438
Listing expenses	—	—	14,420	960	7,081
Auditors' remuneration	237	693	852	277	388
Amortisation of intangible assets	118	343	952	305	530
Other expenses	18,161	40,805	58,198	24,409	42,003
Total cost of sales, selling and marketing costs and administrative expenses	<u>1,161,952</u>	<u>1,699,059</u>	<u>3,515,107</u>	<u>829,804</u>	<u>1,771,186</u>

8. Staff costs - including directors' emoluments

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses and other benefits	46,027	80,109	141,194	56,506	69,209
Pension costs - statutory pension	3,107	5,678	11,374	3,956	5,975
	<u>49,134</u>	<u>85,787</u>	<u>152,568</u>	<u>60,462</u>	<u>75,184</u>

(a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other benefits	2,132	3,323	5,933	2,897	2,903
Pension costs	78	106	116	56	56
	<u>2,210</u>	<u>3,429</u>	<u>6,049</u>	<u>2,953</u>	<u>2,959</u>

The emoluments received by individual directors are presented as below:

(i) For the year ended 31 December 2012

<u>Name of Directors</u>	<u>Fees</u>	<u>Salaries and other benefits</u>	<u>Contribution to retirement scheme</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ou Zonghong	—	704	26	730
Mr. Wu Jian	—	764	26	790
Mr. Lin Junling	—	664	26	690
Mr. Gao Chuanjian (note vi)	—	—	—	—
	<u>—</u>	<u>2,132</u>	<u>78</u>	<u>2,210</u>

(ii) For the year ended 31 December 2013

<u>Name of Directors</u>	<u>Fees</u>	<u>Salaries and other benefits</u>	<u>Contribution to retirement scheme</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ou Zonghong	—	883	29	912
Mr. Wu Jian	—	823	29	852
Mr. Lin Junling	—	883	29	912
Mr. Gao Chuanjian	—	734	19	753
	<u>—</u>	<u>3,323</u>	<u>106</u>	<u>3,429</u>

(iii) *For the year ended 31 December 2014*

<u>Name of Directors</u>	<u>Fees</u>	<u>Salaries and other benefits</u>	<u>Contribution to retirement scheme</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Ou Zonghong	—	1,398	29	1,427
Mr. Wu Jian	—	1,488	29	1,517
Mr. Lin Junling	—	1,410	29	1,439
Mr. Gao Chuanjian	—	1,637	29	1,666
	<u>—</u>	<u>5,933</u>	<u>116</u>	<u>6,049</u>

(iv) *For the six months ended 30 June 2015*

<u>Name of Directors</u>	<u>Fees</u>	<u>Salaries and other benefits</u>	<u>Contribution to retirement scheme</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Ou Zonghong	—	674	14	688
Mr. Wu Jian	—	732	14	746
Mr. Lin Junling	—	703	14	717
Mr. Gao Chuanjian	—	794	14	808
	<u>—</u>	<u>2,903</u>	<u>56</u>	<u>2,959</u>

(v) *For the six months ended 30 June 2014 (Unaudited)*

<u>Name of Directors</u>	<u>Fees</u>	<u>Salaries and other benefits</u>	<u>Contribution to retirement scheme</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Ou Zonghong	—	674	14	688
Mr. Wu Jian	—	756	14	770
Mr. Lin Junling	—	674	14	688
Mr. Gao Chuanjian	—	793	14	807
	<u>—</u>	<u>2,897</u>	<u>56</u>	<u>2,953</u>

During the Relevant Periods, none of the directors of the Company waived his emoluments nor has agreed to waive his emoluments.

(vi) Mr. Gao Chuanjian joined the Group in April 2013 and was appointed as a director in December 2014. He has resigned the director position in July 2015.

(vii) Ms. Zeng Feiyan was appointed as a director in July 2015.

(b) *Five highest paid individuals*

For the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015, the five individuals whose emoluments were the highest in the Group included three, three, three, three and four directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two, two, two, two and one individuals during the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	840	1,780	3,030	1,459	731
Pension costs	52	53	58	28	14
	<u>892</u>	<u>1,833</u>	<u>3,088</u>	<u>1,487</u>	<u>745</u>

The emoluments payable to the remaining two, two, two, two and one individuals during the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015 fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Annual emolument band					
Nil — HKD1,000,000	2	—	—	—	—
HKD1,000,000 — HKD2,000,000	<u>—</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>

During the Relevant Periods, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) *Pensions scheme - defined contribution plans*

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

9. **Finance income — net**

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance costs					
- Bank and other borrowings wholly repayable within 5 years	269,448	534,051	1,511,122	705,710	1,099,009
- Cash advances from related parties wholly repayable within 5 years	38,208	31,311	—	—	—
- Less: capitalised interest	<u>(307,656)</u>	<u>(565,362)</u>	<u>(1,511,122)</u>	<u>(705,710)</u>	<u>(1,099,009)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Finance income					
- Interest income from bank deposits	<u>1,409</u>	<u>2,071</u>	<u>5,025</u>	<u>1,932</u>	<u>5,674</u>
Finance income - net	<u>1,409</u>	<u>2,071</u>	<u>5,025</u>	<u>1,932</u>	<u>5,674</u>

10. Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax:					
- PRC corporate income tax	39,324	119,916	164,298	49,593	87,937
- PRC land appreciation tax	51,717	174,919	229,785	64,882	121,492
Deferred income tax (Note 15)	(15,771)	(51,053)	(62,121)	(45,187)	(28,022)
	<u>75,270</u>	<u>243,782</u>	<u>331,962</u>	<u>69,288</u>	<u>181,407</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	262,815	759,510	833,601	264,738	462,491
Less: share of profit of joint ventures and an associate reported net of tax	(130,600)	(324,204)	(240,724)	(187,960)	(116,772)
	<u>132,215</u>	<u>435,306</u>	<u>592,877</u>	<u>76,778</u>	<u>345,719</u>
Tax calculated at applicable corporate income tax rate	33,054	108,827	148,219	19,195	86,430
Effect of expenses not deductible for income tax purpose	3,428	3,766	11,404	1,432	3,858
PRC land appreciation tax deductible for income tax purpose	(12,929)	(43,730)	(57,446)	(16,221)	(30,373)
Corporate income tax	23,553	68,863	102,177	4,406	59,915
PRC land appreciation tax	51,717	174,919	229,785	64,882	121,492
	<u>75,270</u>	<u>243,782</u>	<u>331,962</u>	<u>69,288</u>	<u>181,407</u>

PRC corporate income tax

The income tax provision of the Group in respect of operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the BVI Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax. The Group's subsidiary in the Hong Kong is subject to corporate income tax at the rate of 16.5%.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

11. Earnings per share

According to the basis of presentation as disclosed in the note 1.2, 100 ordinary shares of the Company issued and fully paid as at 31 December 2014 were treated as if they had been in issue throughout the Relevant Periods.

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	187,545	517,691	506,507	197,857	288,806
Weighted average number of shares in issue	100	100	100	100	100
Basic earnings per share (RMB'000)	<u>1,875</u>	<u>5,177</u>	<u>5,065</u>	<u>1,979</u>	<u>2,888</u>

The Company did not have any potential ordinary shares outstanding during the Relevant Periods. Diluted earnings per share are equal to basic earnings per share.

12. Dividend

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Dividends declared by Rongxin Group to its then shareholders	<u>—</u>	<u>—</u>	<u>338,000</u>	<u>—</u>	<u>—</u>

Dividend of RMB338,000,000 has been declared by Rongxin Group to its then shareholders on 5 December 2014.

The rates for dividend and the number of shares ranking for dividend is not presented as such information is not considered meaningful for the purpose of this report.

13. Property, plant and equipment

	Buildings and leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012					
Cost	10,305	4,693	14,473	—	29,471
Accumulated depreciation	(3,146)	(2,021)	(9,677)	—	(14,844)
Net book amount	<u>7,159</u>	<u>2,672</u>	<u>4,796</u>	<u>—</u>	<u>14,627</u>
Year ended 31 December 2012					
Opening net book amount	7,159	2,672	4,796	—	14,627
Additions	352	1,523	14,443	2,185	18,503
Disposals	—	(6)	—	—	(6)
Depreciation	(937)	(1,181)	(2,930)	—	(5,048)
Closing net book amount	<u>6,574</u>	<u>3,008</u>	<u>16,309</u>	<u>2,185</u>	<u>28,076</u>
At 31 December 2012					
Cost	10,657	6,103	28,916	2,185	47,861
Accumulated depreciation	(4,083)	(3,095)	(12,607)	—	(19,785)
Net book amount	<u>6,574</u>	<u>3,008</u>	<u>16,309</u>	<u>2,185</u>	<u>28,076</u>
Year ended 31 December 2013					
Opening net book amount	6,574	3,008	16,309	2,185	28,076
Additions	3,637	2,383	7,247	78,615	91,882
Disposals	—	(4)	(339)	—	(343)
Depreciation	(1,164)	(1,546)	(5,655)	—	(8,365)
Closing net book amount	<u>9,047</u>	<u>3,841</u>	<u>17,562</u>	<u>80,800</u>	<u>111,250</u>
At 31 December 2013					
Cost	14,294	8,402	29,386	80,800	132,882
Accumulated depreciation	(5,247)	(4,561)	(11,824)	—	(21,632)
Net book amount	<u>9,047</u>	<u>3,841</u>	<u>17,562</u>	<u>80,800</u>	<u>111,250</u>
Year ended 31 December 2014					
Opening net book amount	9,047	3,841	17,562	80,800	111,250
Additions	4,330	14,111	3,443	344,399	366,283
Disposals	—	(584)	(329)	—	(913)
Depreciation	(3,421)	(3,006)	(6,329)	—	(12,756)
Closing net book amount	<u>9,956</u>	<u>14,362</u>	<u>14,347</u>	<u>425,199</u>	<u>463,864</u>
At 31 December 2014					
Cost	18,624	21,757	31,045	425,199	496,625
Accumulated depreciation	(8,668)	(7,395)	(16,698)	—	(32,761)
Net book amount	<u>9,956</u>	<u>14,362</u>	<u>14,347</u>	<u>425,199</u>	<u>463,864</u>

	Buildings and leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2015					
Opening net book amount	9,956	14,362	14,347	425,199	463,864
Additions	—	552	1,602	174,296	176,450
Disposals	—	—	(744)	—	(744)
Depreciation	(2,204)	(2,242)	(2,992)	—	(7,438)
Closing net book amount	<u>7,752</u>	<u>12,672</u>	<u>12,213</u>	<u>599,495</u>	<u>632,132</u>
At 30 June 2015					
Cost	18,624	22,309	30,130	599,495	670,558
Accumulated depreciation	(10,872)	(9,637)	(17,917)	—	(38,426)
Net book amount	<u>7,752</u>	<u>12,672</u>	<u>12,213</u>	<u>599,495</u>	<u>632,132</u>
(Unaudited) Six months ended 30 June 2014					
Opening net book amount	9,047	3,841	17,562	80,800	111,250
Additions	2,968	2,382	2,354	112,995	120,699
Disposals	—	(553)	(13)	—	(566)
Depreciation	(1,811)	(965)	(3,190)	—	(5,966)
Closing net book amount	<u>10,204</u>	<u>4,705</u>	<u>16,713</u>	<u>193,795</u>	<u>225,417</u>
At 30 June 2014					
Cost	17,262	10,088	31,473	193,795	252,618
Accumulated depreciation	(7,058)	(5,383)	(14,760)	—	(27,201)
Net book amount	<u>10,204</u>	<u>4,705</u>	<u>16,713</u>	<u>193,795</u>	<u>225,417</u>

Depreciation of the property, plant and equipment has been charged to consolidated profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	67	107	250	102	310
Selling and marketing costs	497	632	1,120	463	680
Administrative expenses	4,484	7,626	11,386	5,401	6,448
	<u>5,048</u>	<u>8,365</u>	<u>12,756</u>	<u>5,966</u>	<u>7,438</u>

During the Relevant Periods, all buildings were located in the PRC.

Borrowing costs of RMB45,016,000, RMB87,649,000 and RMB46,239,000 have been capitalised in assets under construction for the years ended 31 December 2013, 2014 and the six months ended 30 June 2015, respectively.

The capitalisation rates of borrowings for the years ended 31 December 2013, 2014 and the six months ended 30 June 2015 are 10.53%, 10.88% and 11.16%, respectively.

14. Land use rights

	RMB'000
Year ended 31 December 2012	
Opening net book amount	—
Additions	332,640
Amortisation	<u>(1,708)</u>
Closing net book amount	<u>330,932</u>
Year ended 31 December 2013	
Opening net book amount	330,932
Additions	190,676
Amortisation	<u>(8,215)</u>
Closing net book amount	<u>513,393</u>
Year ended 31 December 2014	
Opening net book amount	513,393
Amortisation	<u>(14,803)</u>
Closing net book amount	<u>498,590</u>
Six months ended 30 June 2015	
Opening net book amount	498,590
Amortisation	<u>(6,494)</u>
Closing net book amount	<u>492,096</u>
(Unaudited) Six months ended 30 June 2014	
Opening net book amount	513,393
Amortisation	<u>(6,494)</u>
Closing net book amount	<u>506,899</u>

Amounts represent the land use rights of hotels under construction. The relevant land use rights are on leases of 40 years and the land is in the PRC.

Land use rights with a total carrying amount of RMB513,393,000, RMB498,590,000 and RMB492,096,000 as at 31 December 2013, 2014 and 30 June 2015, respectively, were pledged as collateral for the Group's borrowings (Note 28).

15. Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets				
- Deferred tax assets to be recovered within 12 months	2,598	9,321	—	81,167
- Deferred tax assets to be recovered after 12 months	18,640	62,970	134,412	81,267
	<u>21,238</u>	<u>72,291</u>	<u>134,412</u>	<u>162,434</u>

The movements in deferred tax assets during the Relevant Periods are as follows:

	<u>Tax losses</u>	<u>Deductible temporary differences of expenses and cost of sales</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January 2012	3,222	2,245	5,467
Credit to the consolidated income statement (Note 10)	15,418	353	15,771
At 31 December 2012	18,640	2,598	21,238
Credit to the consolidated income statement (Note 10)	44,330	6,723	51,053
At 31 December 2013	62,970	9,321	72,291
Credit/(debit) to the consolidated income statement (Note 10)	71,442	(9,321)	62,121
At 31 December 2014	134,412	—	134,412
Credit to the consolidated income statement (Note 10)	28,022	—	28,022
At 30 June 2015	162,434	—	162,434
(Unaudited) At 1 January 2014	62,970	9,321	72,291
Credit to the consolidated income statement (Note 10)	42,747	2,440	45,187
At 30 June 2014	105,717	11,761	117,478

At 31 December 2012, 2013, 2014 and 30 June 2014 and 2015, there are no unrecognised deferred tax assets of the Group in relation to tax losses.

16. Investments accounted for using the equity method

(a) *Investments accounted for using the equity method*

(i) The amounts recognised in the consolidated balance sheets are as follows:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Joint ventures	273,391	607,627	2,258,165	2,619,776
An associate	—	1,968	97,654	96,314
	<u>273,391</u>	<u>609,595</u>	<u>2,355,819</u>	<u>2,716,090</u>

(ii) The amounts recognised in the consolidated income statements are as follows:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Joint ventures	130,600	324,236	243,038	188,399	118,111
An associate	—	(32)	(2,314)	(439)	(1,339)
	<u>130,600</u>	<u>324,204</u>	<u>240,724</u>	<u>187,960</u>	<u>116,772</u>

(iii) The movement of investments in joint ventures are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Opening balances	132,791	273,391	607,627	607,627	2,258,165
Capital injections	10,000	10,000	1,407,500	1,017,300	243,500
Share of profits	130,600	324,236	243,038	188,399	118,111
	<u>273,391</u>	<u>607,627</u>	<u>2,258,165</u>	<u>1,813,326</u>	<u>2,619,776</u>

- (b) Set out below are the joint ventures and an associate of the Group as at 31 December 2012, 2013, 2014 and 30 June 2015. The place of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ place of incorporation and business	% of ownership interest				Measurement method	Principal activities
		as at 31 December			As at 30 June 2015		
		2012	2013	2014			
Joint ventures							
福州世歐房地產 開發有限公司	Fuzhou Shiou Property Development Co., Ltd. (note i)	PRC	50%	50%	50%	Equity	Property development
福州利博順泰房 地產開發有限 公司	Fuzhou Liboshuntai Property Development Co., Ltd.	PRC	50%	50%	50%	Equity	Property development
海融 漳州 房地 產有限公司	Hairong (Zhangzhou) Property Co., Ltd.	PRC	—	—	50%	Equity	Property development
上海愷泰房地產 開發有限公司	Shanghai Kaitai Property Development Co., Ltd.	PRC	—	50%	50%	Equity	Property development
上海愷岱房地產 開發有限公司	Shanghai Kaidai Property Development Co., Ltd.	PRC	—	50%	50%	Equity	Property development
上海愷譽房地產 開發有限公司	Shanghai Kaiyu Property Development Co., Ltd.	PRC	—	—	50%	Equity	Property development
上海愷日房地產 開發有限公司	Shanghai Kairi Property Development Co., Ltd.	PRC	—	—	50%	Equity	Property development
上海愷暢房地產 開發有限公司	Shanghai Kaichang Property Development Co., Ltd.	PRC	—	—	50%	Equity	Property development
上海愷崇房地產 開發有限公司	Shanghai Kaichong Property Development Co., Ltd. (note ii)	PRC	—	—	25%	Equity	Property development
Associate							
漳州市萬科濱江 置業有限公司	Zhangzhou City Wankebinjiang Property Co., Ltd.	PRC	—	20%	20%	Equity	Property development

- (i) Rongxin Group and a company controlled by a close family member of Mr. Ou holds 50% and 50% equity interest in Fuzhou Shiou Property Development Co., Ltd. (“Fuzhou Shiou”), respectively. Fuzhou Shiou and its subsidiaries (collectively refer to “Shiou Group”) are principally engaged in development of certain residential and commercial property projects in Fuzhou City. According to a separate agreement entered into between Rongxin Group and the joint venture partner, the equity interest in one property development project of Shiou Group is held by Rongxin Group and the joint venture partner at 40% and 60%, respectively.
- (ii) The Group and another two joint venture partners which are independent third parties to the Group hold equity interest in Shanghai Kaichong Property Development Co., Ltd. at 25%, 25% and 50%, respectively.

(c) *Summarised financial information for joint ventures*

(i) Set out below is the summarised financial information for Shiou Group, which is material to the Group.

Summarised balance sheets

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment properties	1,196,000	2,044,000	3,175,000	3,312,000
Other non-current assets	26,890	59,877	69,128	33,360
	<u>1,222,890</u>	<u>2,103,877</u>	<u>3,244,128</u>	<u>3,345,360</u>
Current				
Properties under development	7,882,481	7,699,920	8,161,682	4,002,074
Completed properties held for sale	937,164	614,150	187,899	1,796,662
Amounts due from shareholders	217,200	2,342,904	2,979,903	2,753,903
Amounts due from customers for contract works	—	17,183	575,131	193,551
Trade and other receivables	192,940	122,430	77,582	99,565
Prepayments	323,082	455,502	361,096	161,384
Prepaid income tax	143,401	312,564	379,907	136,628
Restricted cash	118,131	89,790	140,833	19,433
Cash and cash equivalents	577,881	52,692	196,378	91,672
	<u>10,392,280</u>	<u>11,707,135</u>	<u>13,060,411</u>	<u>9,254,872</u>
Total assets	<u>11,615,170</u>	<u>13,811,012</u>	<u>16,304,539</u>	<u>12,600,232</u>
LIABILITIES				
Non-current liabilities				
Borrowings	2,254,500	3,285,540	1,544,700	1,054,800
Other liabilities	8,278	121,188	247,436	277,790
	<u>2,262,778</u>	<u>3,406,728</u>	<u>1,792,136</u>	<u>1,332,590</u>
Current liabilities				
Borrowings	999,000	200,000	2,402,020	2,433,700
Advances received from pre-sales of properties	4,074,668	6,968,190	8,585,407	5,140,499
Amounts due to shareholders	1,005,058	—	—	—
Amounts due to customers for contract works	558,134	—	—	—
Trade and other payables	2,031,741	1,709,643	1,744,862	1,622,396
Tax liabilities	95,848	284,040	23,483	31,594
	<u>8,764,449</u>	<u>9,161,873</u>	<u>12,755,772</u>	<u>9,228,189</u>
Total liabilities	<u>11,027,227</u>	<u>12,568,601</u>	<u>14,547,908</u>	<u>10,560,779</u>
Net assets	<u>587,943</u>	<u>1,242,411</u>	<u>1,756,631</u>	<u>2,039,453</u>

Summarised statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	2,463,782	3,036,479	2,393,615	1,730,265	4,717,335
Cost of sales	(1,902,084)	(2,249,290)	(2,001,791)	(1,408,421)	(4,023,555)
Selling and marketing costs	(74,994)	(145,230)	(108,544)	(57,315)	(41,840)
Administrative expenses	(64,417)	(61,471)	(63,591)	(26,155)	(33,515)
Interest income	847	1,335	1,531	739	368
Fair value gain of investment properties	6,076	452,939	504,992	316,146	66,258
Other income, net	2,144	2,797	5,169	2,831	2,220
Profit before income tax	431,354	1,037,559	731,381	558,090	687,271
Income tax expense	(169,137)	(383,091)	(217,161)	(170,563)	(404,449)
Profit for the year/period	262,217	654,468	514,220	387,527	282,822
Other comprehensive income	—	—	—	—	—
Total comprehensive income	262,217	654,468	514,220	387,527	282,822
The joint venture's commitments	3,025,459	2,388,925	910,136	1,811,444	371,012
The joint venture's financial guarantee contracts	542,096	2,583,483	3,839,952	3,033,592	4,286,858

No dividend has been paid or declared by the joint venture since its establishment.

- (ii) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Shiou Group.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Opening net assets	325,726	587,943	1,242,411	1,242,411	1,756,631
Profit for the year/period	262,217	654,468	514,220	387,527	282,822
Other comprehensive income	—	—	—	—	—
Closing net assets	587,943	1,242,411	1,756,631	1,629,938	2,039,453
Interest in joint ventures	263,513	590,270	847,328	783,985	988,739
Carrying value	263,513	590,270	847,328	783,985	988,739

- (iii) Set out below is the summarised financial information for Shanghai Kaitai Property Development Co., Ltd. (“Shanghai Kaitai”), which is material to the Group.

Summarised balance sheets

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Deferred tax assets	—	125	684	2,073
Other non-current assets	—	78	63	55
	—	203	747	2,128
Current				
Properties under development	—	4,768,479	5,062,162	5,521,134
Trade and other receivables	—	—	5,020	6,000
Cash and cash equivalents	—	7,795	33,178	80,084
	—	4,776,274	5,100,360	5,607,218
Total assets	—	4,776,477	5,101,107	5,609,346
LIABILITIES				
Non-current liabilities				
Borrowings	—	—	—	335,820
Current liabilities				
Advances received from pre-sales of properties	—	—	—	202,517
Amounts due to shareholders	—	4,766,392	2,818,682	2,817,034
Trade and other payables	—	461	274,476	250,195
	—	4,766,853	3,093,158	3,269,746
Total liabilities	—	4,766,853	3,093,158	3,605,566
Net assets	—	9,624	2,007,949	2,003,780

Summarised statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	—	—	—	—	—
Cost of sales	—	—	—	—	—
Selling and marketing costs	—	—	(12)	—	(4,439)
Administrative expenses	—	(612)	(2,511)	(779)	(1,268)
Interest income	—	111	289	63	149
Loss before income tax	—	(501)	(2,234)	(716)	(5,558)
Income tax credit	—	125	559	179	1,389
Loss for the year/period	—	(376)	(1,675)	(537)	(4,169)
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	(376)	(1,675)	(537)	(4,169)
The joint venture's commitments	—	43,922	2,463,579	441,152	2,194,178
The joint venture's financial guarantee contracts	—	—	—	—	18,720

No dividend has been paid or declared by the joint venture since its establishment.

- (iv) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Shanghai Kaitai.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Opening net assets	—	—	9,624	9,624	2,007,949
Capital injections	—	10,000	2,000,000	2,000,000	—
Loss for the year/period	—	(376)	(1,675)	(537)	(4,169)
Other comprehensive income	—	—	—	—	—
Closing net assets	—	9,624	2,007,949	2,009,087	2,003,780
Interest in joint ventures	—	4,812	1,003,975	1,004,544	1,001,890
Carrying value	—	4,812	1,003,975	1,004,544	1,001,890

- (v) Set out below are the summarised financial information for joint ventures, other than Shiou Group and Shanghai Kaitai, which are individually immaterial to the Group.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss for the year/period	(244)	(4,666)	(26,419)	(10,093)	(42,449)
Other comprehensive income	—	—	—	—	—
Total comprehensive income	(244)	(4,666)	(26,419)	(10,093)	(42,449)

- (vi) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in the joint ventures, other than Shiou Group and Shanghai Kaitai.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Opening net assets	—	19,756	25,090	25,090	701,671
Capital injections	20,000	10,000	703,000	35,000	360,500
Loss for the year/period	(244)	(4,666)	(26,419)	(10,093)	(42,449)
Other comprehensive income	—	—	—	—	—
Closing net assets	19,756	25,090	701,671	49,997	1,019,722
Interests in joint ventures	9,878	12,545	406,862	24,797	629,147
Carrying value	9,878	12,545	406,862	24,797	629,147

17. Financial instruments by category — Group and Company

The Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Loans and receivables				
- Trade and other receivables	483,407	633,894	261,267	267,208
- Amounts due from related parties	950,823	3,324,359	2,713,147	2,014,266
- Restricted cash	13,526	14,505	741,736	414,945
- Cash and cash equivalents	123,939	696,090	657,637	843,766
- Term deposits with initial terms of over three months	—	5,500	—	—
Available-for-sale financial assets	16,000	9,000	21,000	47,000
	1,587,695	4,683,348	4,394,787	3,587,185
Financial liabilities:				
Liabilities at amortised cost				
- Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	569,865	606,772	1,216,759	1,352,896
- Amounts due to related parties	857,772	1,871,328	3,207,622	1,734,837
- Dividend payable	—	—	338,000	—
- Borrowings	1,861,000	8,472,040	17,258,800	18,242,650
	3,288,637	10,950,140	22,021,181	21,330,383

The Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities:				
Liabilities at amortised cost				
- Other payables	—	—	10,257	16,683
- Amount due to a subsidiary	—	—	9,114	12,069
	<u>—</u>	<u>—</u>	<u>19,371</u>	<u>28,752</u>

18. Properties under development and completed properties held for sale

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development comprise:				
- Construction costs	1,131,619	2,180,602	3,553,185	4,076,401
- Capitalised interests	283,141	635,299	1,773,126	2,728,013
- Land use rights	2,285,074	5,758,572	9,580,802	15,920,788
	<u>3,699,834</u>	<u>8,574,473</u>	<u>14,907,113</u>	<u>22,725,202</u>
Completed properties held for sale comprise:				
- Construction costs	733,054	616,395	417,901	247,616
- Capitalised interests	188,968	150,834	106,132	54,512
- Land use rights	227,903	153,306	342,390	65,838
	<u>1,149,925</u>	<u>920,535</u>	<u>866,423</u>	<u>367,966</u>

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within one operating cycle. The relevant land use rights are on leases of 40 to 70 years.

The capitalisation rates of borrowings are 8.03%, 10.53%, 10.88% and 11.16% for the years ended 31 December 2012, 2013, 2014 and six months ended 30 June 2015, respectively.

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Group's pledged properties held for sale and properties under development are set out as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts of properties held for sale and properties under development:				
- Pledged as collateral for the Group's borrowings	<u>2,814,834</u>	<u>7,224,243</u>	<u>7,476,887</u>	<u>17,680,515</u>

19. Trade and other receivables and prepayments - Group and Company

The Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Note a)	—	8,527	4,164	3,528
Other receivables				
- Bidding deposits for acquisition of land use rights	156,000	345,970	—	—
- Deposits for construction contracts (Note b) ..	109,802	88,006	148,482	148,482
- Receivables from a local government (Note c)	186,627	176,627	66,627	66,627
- Others	30,978	14,764	41,994	48,571
	<u>483,407</u>	<u>625,367</u>	<u>257,103</u>	<u>263,680</u>
Prepayments				
- Prepaid business taxes and other taxes	158,347	212,224	334,821	383,390
- Prepayments for acquisition of land use rights	204,850	2,668,186	6,978,866	2,000,185
- Prepayments for investment in a joint venture (Note d)	—	156,208	—	—
- Others	2,112	22,760	91,853	52,232
	<u>365,309</u>	<u>3,059,378</u>	<u>7,405,540</u>	<u>2,435,807</u>
	<u>848,716</u>	<u>3,693,272</u>	<u>7,666,807</u>	<u>2,703,015</u>
Less: other receivables included in non-current assets	<u>(82,000)</u>	<u>(2,896)</u>	<u>(2,691)</u>	<u>(2,691)</u>
	<u><u>766,716</u></u>	<u><u>3,690,376</u></u>	<u><u>7,664,116</u></u>	<u><u>2,700,324</u></u>

- (a) Aging analysis of the trade receivables based on invoice date at respective balance sheet dates are as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	—	5,842	—	—
Over 90 days and within 365 days	—	2,685	2,339	—
Over 365 days	—	—	1,825	3,528
	<u>—</u>	<u>8,527</u>	<u>4,164</u>	<u>3,528</u>

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balance within 90 days as specified in the sales and purchase agreements.

As at 31 December 2013 and 2014 and 30 June 2015, trade receivables of RMB2,685,000, RMB4,164,000 and RMB3,528,000 were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty. Management is of the view that the overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales.

- (b) The amounts as at 31 December 2012, 2013, 2014 and 30 June 2015 represented deposits for construction contacts of resettlement housing (Note 20).
- (c) The amounts as at 31 December 2012, 2013, 2014 and 30 June 2015 represented the consideration paid to a local government in Fujian Province in relation to cooperation in development of a property project which was subsequently terminated.
- (d) Prepayment for investment in a joint venture as at 31 December 2013 represented payments of land premium on behalf of the joint venture, which was set up in 2014.
- (e) As at 31 December 2012, 2013, 2014 and 30 June 2015, the Group's trade and other receivables were all denominated in RMB.
- (f) As at 31 December 2012, 2013, 2014 and 30 June 2015, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above. No material trade and other receivables were impaired as at 31 December 2012, 2013, 2014 and 30 June 2015.

The Company

Prepayments of the Company's represented prepaid IPO costs.

20. Amounts due from customers for contract works

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Contracts in progress at the end of the year/period:				
Contract costs incurred plus recognised profits	28,233	81,692	184,736	217,619
Less: progress billings	(6,430)	(18,606)	(70,109)	(80,944)
	<u>21,803</u>	<u>63,086</u>	<u>114,627</u>	<u>136,675</u>

According to the agreements of acquisition of land use rights entered into with certain local governments, as part of the consideration to obtain the land use rights, certain subsidiaries of the Group were required to construct houses for the respective governments.

Contract revenue of RMB26,054,000, RMB53,459,000, RMB103,044,000, RMB23,700,000 and RMB32,883,000 which represented the construction services having been provided, have been recognised as revenue during the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015, respectively.

21. Restricted cash

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in RMB	<u>13,526</u>	<u>14,505</u>	<u>741,736</u>	<u>414,945</u>

The Group placed certain cash deposits with designated banks as security mainly for borrowings and issuance of commercial bills.

22. Cash and cash equivalents

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in RMB				
- Cash at bank	123,893	695,999	657,581	843,738
- Cash on hand	46	91	56	28
	<u>123,939</u>	<u>696,090</u>	<u>657,637</u>	<u>843,766</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

23. Term deposits with initial terms of over three months

The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2013 was 3.3% per annum. The carrying amounts of the Group's term deposits approximate their fair value. The deposits are denominated in RMB.

24. Share capital — Group and Company

	Issued share capital and fully paid	
	Number of shares	HKD
At 11 September 2014 (date of incorporation), 31 December 2014 and 30 June 2015	<u>100</u>	<u>0.001</u>

On the date of its incorporation, one ordinary share of HKD0.00001 was allotted and issued to the sole subscriber and then was transferred to Dingxin Company Limited. On the same date, the Company further allotted and issued 99 ordinary shares to Dingxin Company Limited. The Company was then wholly-owned by Dingxin Company Limited.

The authorised share capital of the Company as at 11 September 2014 (date of incorporation), 31 December 2014 and 30 June 2015 was HK\$380,000 divided into 38,000,000,000 shares.

25. Capital reserves

Capital reserves mainly represented accumulated capital contribution from the then shareholders of the group companies.

26. Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

27. Non-controlling interests

Pursuant to investment agreements entered into between the Group and Fujian Oushi Construction, Fujian Oushi Construction agreed to contribute cash of RMB612,000,000, RMB601,000,000 and RMB435,000,000 to three projects of the Group in exchange of 49% equity interests of these three projects. Up to 30 June 2015, the Group has received capital contributed by Fujian Oushi Construction of RMB1,342,600,000, the remaining amounts of RMB305,400,000 have been received in July 2015.

28. Borrowings

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings - secured	1,861,000	1,473,000	1,945,000	2,182,000
Other borrowings - secured (Note a)	—	6,197,000	14,933,700	15,431,550
Less: current portion of non-current borrowings	(1,151,000)	(2,684,300)	(5,879,100)	(8,390,350)
	<u>710,000</u>	<u>4,985,700</u>	<u>10,999,600</u>	<u>9,223,200</u>
Borrowings included in current liabilities:				
Bank borrowings - secured	—	200,000	29,100	29,100
Other borrowings - secured (Note a)	—	602,040	351,000	600,000
Current portion of non-current borrowings	<u>1,151,000</u>	<u>2,684,300</u>	<u>5,879,100</u>	<u>8,390,350</u>
	<u>1,151,000</u>	<u>3,486,340</u>	<u>6,259,200</u>	<u>9,019,450</u>
Total borrowings	<u>1,861,000</u>	<u>8,472,040</u>	<u>17,258,800</u>	<u>18,242,650</u>

As at 31 December 2012, 2013, 2014 and 30 June 2015, all of the Group's borrowings are denominated in RMB.

- (a) Certain group companies in the PRC have entered into fund arrangements with trust companies, security companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them, directly or through entrusted banks, to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices (Note 34(c)). The funds bear fixed interest rates and have fixed repayment terms.
- (b) As at 31 December 2012, 2013, 2014 and 30 June 2015, all the Group's bank and other borrowings were secured by the Group's assets which includes properties held for sale, properties under development, land use rights, equity interests of certain subsidiaries, bank deposits and receivables from property purchasers. In addition to pledge of assets, Mr. Ou has provided personal guarantee for the bank and other borrowings of RMB500,000,000, RMB5,063,040,000, RMB11,253,300,000 and RMB11,959,350,000 as at 31 December 2012, 2013, 2014 and 30 June 2015, respectively.

- (c) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
6 months or less	296,000	752,040	1,759,100	3,857,950
6-12 months	1,565,000	2,734,300	5,529,100	6,574,500
1-5 years	—	4,985,700	9,970,600	7,810,200
Total	<u>1,861,000</u>	<u>8,472,040</u>	<u>17,258,800</u>	<u>18,242,650</u>

- (d) The maturity of the borrowings is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,151,000	3,486,340	6,259,200	9,019,450
1 - 2 years	—	1,945,700	7,052,100	9,044,200
2 - 5 years	710,000	3,040,000	3,947,500	179,000
Total	<u>1,861,000</u>	<u>8,472,040</u>	<u>17,258,800</u>	<u>18,242,650</u>

- (e) The repayment terms of the borrowings are as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings wholly repayable:				
Within five years	<u>1,861,000</u>	<u>8,472,040</u>	<u>17,258,800</u>	<u>18,242,650</u>

- (f) The weighted average effective interest rates as at 31 December 2012, 2013, 2014 and 30 June 2015 were as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
Bank borrowings	8.03%	8.35%	7.48%	7.35%
Other borrowings	—	11.07%	11.31%	11.69%
Weighted average effective interest rates	<u>8.03%</u>	<u>10.53%</u>	<u>10.88%</u>	<u>11.16%</u>

- (g) The carrying amounts of the borrowings approximate their fair values as at 31 December 2012, 2013, 2014 and 30 June 2015 as the impact of discounting is not significant or the borrowings carry floating rate of interests.

29. Trade and other payables-Group and Company

The Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (Note a)	468,763	488,500	776,592	902,611
Bills payable	10,486	20,500	112,000	72,000
Other taxes payable	1,883	4,497	3,943	10,408
Accrued payroll	16,114	29,319	56,615	32,636
Interests payable	4,203	19,088	87,632	93,835
Deposits received for sales of properties	2,188	17,473	117,369	111,794
Deposits from contractors and suppliers	6,495	32,154	78,658	93,037
Others	77,730	29,057	44,508	79,619
	<u>587,862</u>	<u>640,588</u>	<u>1,277,317</u>	<u>1,395,940</u>

(a) The ageing analysis of the trade payables is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	146,943	134,291	352,101	226,752
Over 90 days and within 365 days	96,158	127,974	156,574	437,265
Over 365 days	<u>225,662</u>	<u>226,235</u>	<u>267,917</u>	<u>238,594</u>
	<u>468,763</u>	<u>488,500</u>	<u>776,592</u>	<u>902,611</u>

The Group's trade and other payables as at 31 December 2012, 2013, 2014 and 30 June 2015 are denominated in RMB.

The Company

Other payables of the Company mainly represented payables of professional fees incurred for the Listing.

30. Cash (used in)/generated from operations

Reconciliation of profit for the year/period to net cash (used in)/generated from operations.

	As at 31 December			As at 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax for the year/period . . .	262,815	759,510	833,601	264,738	462,491
Adjustments for:					
- Depreciation of property, plant and equipment	5,048	8,365	12,756	5,966	7,438
- Interest income	(1,409)	(2,071)	(5,025)	(1,932)	(5,674)
- Amortisation of intangible assets	118	343	952	305	530
- Gains from disposal of property, plant and equipment	—	(86)	(676)	(64)	(550)
- Share of profits of investments accounted for using the equity method, net	(130,600)	(324,204)	(240,724)	(187,960)	(116,772)
Changes in working capital:					
- Properties under development and completed properties held for sale	(905,776)	(6,540,577)	(8,045,542)	(6,149,887)	(1,088,661)
- Trade and other receivables	(306,024)	(191,770)	321,086	316,063	(27,988)
- Prepayments	(68,995)	(58,010)	(128,169)	(95,618)	(54,049)
- Pre-sale proceeds received from customers	1,064,135	2,840,103	1,298,055	2,040,749	1,174,099
- Trade and other payables	47,154	8,254	195,551	187,463	32,491
- Restricted cash	(5,486)	(2,014)	(127,434)	(72,500)	31,481
Cash (used in)/generated from operations	<u>(39,020)</u>	<u>(3,502,157)</u>	<u>(5,885,569)</u>	<u>(3,692,677)</u>	<u>414,836</u>

Non-cash transactions

In 2012, Rongxin Group increased its paid-in capital by way of capitalisation of its payables to Dingcheng Investment of RMB496,300,000.

31. Financial guarantee

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (Note a)	1,931,071	2,678,062	3,579,851	4,579,002
Guarantee provided for the borrowings of related parties (note b and note 33(d)(ii))	214,000	354,000	2,092,700	2,933,320
	<u>2,145,071</u>	<u>3,032,062</u>	<u>5,672,551</u>	<u>7,512,322</u>

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

- (b) Amounts represented the maximum exposure of the guarantees provided for the borrowings of related parties and an independent third party at the respective balance sheet dates. The guarantees provided for the borrowings of related parties other than joint ventures have been released subsequent to 30 June 2015.

32. Commitments

(a) *Commitments for property development expenditures*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
- Property development activities	1,244,186	3,153,489	4,534,954	4,400,463
- Land use rights	214,150	3,202,042	4,734,311	3,539,100
	<u>1,458,336</u>	<u>6,355,531</u>	<u>9,269,265</u>	<u>7,939,563</u>

(b) *Operating leases commitments*

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
- Not later than one year	3,387	13,662	17,291	14,569
- Later than one year and not later than three years	5,180	21,804	11,998	5,597
	<u>8,567</u>	<u>35,466</u>	<u>29,289</u>	<u>20,166</u>

33. Related party transactions

- (a) Major related parties that had transactions with the Group during the Relevant Periods are as follows:

Related parties	Relationship with the Group
Rongxin (Fujian) Property Management Co., Ltd. 融信 (福建) 物業管理有限公司	A company controlled by the Controlling Shareholder
Fujian Dingcheng Investment Co., Ltd. 福建鼎誠投資有限公司	A company controlled by the Controlling Shareholder
Hemei (Zhangzhou) Hotel Investment Co., Ltd. 和美 (漳州) 酒店投資有限公司	A company controlled by the Controlling Shareholder
Mr. Ou Zonghong (歐宗洪)	Controlling shareholder and director of the Company
Mr. Ou Guopeng (歐國鵬)	Family member of Mr. Ou
Ms. Xu Lixiang (許麗香)	Family member of Mr. Ou
Mr. Wu Jian (吳劍)	Executive director and vice president of the Company

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

(b) **Key management compensation**

Compensation for key management other than those for directors as disclosed in note 8(a) for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015 are set out below.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Key management compensation					
- Salaries and other employee benefits	328	1,536	3,182	1,514	1,517
- Pension costs	12	63	87	42	42
	<u>340</u>	<u>1,599</u>	<u>3,269</u>	<u>1,556</u>	<u>1,559</u>

(c) **Balances with related parties**

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Group had the following material balances with related parties:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from joint ventures:				
- Shanghai Kaitai Property Development Co., Ltd.	—	1,747,286	1,390,787	1,390,787
- Shanghai Kaidai Property Development Co., Ltd.	—	1,276,089	267,589	37,589
- Fuzhou Liboshuntai Property Development Co., Ltd.	225,900	120,000	—	—
- Shiou Group	568,727	—	—	—
- Hairong (Zhangzhou) Property Co., Ltd.	—	—	272,104	159,586
- Shanghai Kairi Property Development Co., Ltd.	—	—	59,442	25,086
- Shanghai Kaichang Property Development Co., Ltd.	—	—	239,769	239,769
- Shanghai Kaiyu Property Development Co., Ltd.	—	—	207,407	—
- Shanghai Kaichong Property Development Co., Ltd.	—	—	83,984	83,984
Amounts due from an associate:				
- Zhangzhou City Wankebinjiang Property Co., Ltd.	—	180,984	192,065	77,465
Amounts due from other related parties:				
- Mr. Ou	60,036	—	—	—
- Mr. Ou Guopeng	96,160	—	—	—
	<u>950,823</u>	<u>3,324,359</u>	<u>2,713,147</u>	<u>2,014,266</u>

Amounts due from joint ventures, an associate and other related parties mainly represent the cash advances which are unsecured, interest-free, repayable on demand and denominated in RMB.

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to joint ventures:				
- Shiou Group	143,200	1,130,273	1,448,773	1,335,773
- Fuzhou Liboshuntai Property Development Co., Ltd.	—	—	235,000	287,000
Amounts due to other related parties:				
- Dingcheng Investment	713,153	702,287	888,251	—
- Mr. Ou	—	37,185	627,057	97,433
- Rongxin (Fujian) Property Management Co., Ltd.	1,419	1,583	8,541	14,631
	<u>857,772</u>	<u>1,871,328</u>	<u>3,207,622</u>	<u>1,734,837</u>
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Dividend payable:				
- Dingcheng Investment	—	—	299,705	—
- Mr. Ou	—	—	37,045	—
- Ms. Xu	—	—	1,250	—
	<u>—</u>	<u>—</u>	<u>338,000</u>	<u>—</u>

Amounts due to joint ventures, Dingcheng Investment and Mr. Ou mainly represent cash advances which are unsecured, interest-free and repayable on demand and denominated in RMB.

Amounts due to Rongxin (Fujian) Property Management Co., Ltd. represented mainly the payables of property management fees which are unsecured, interest free, aged within 90 days and denominated in RMB.

(d) *Transactions with related parties*

During the years ended 31 December 2012, 2013, 2014 and 30 June 2014 and 2015, the Group had the following significant transactions with related parties.

The directors of the Company are of the opinion that the following related party transactions were conducted on normal commercial terms and in the ordinary course of business.

(i) *Property management services provided by a related party*

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
- Rongxin (Fujian) Property Management Co., Ltd.	<u>8,727</u>	<u>13,047</u>	<u>24,745</u>	<u>8,117</u>	<u>16,715</u>

(ii) *Guarantee for borrowings of related parties*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee to joint ventures:				
- Shiou Group	—	—	1,544,700	2,099,500
- Fuzhou Liboshuntai Property Development Co., Ltd.	—	140,000	140,000	110,000
- Shanghai Kaitai Property Development Co., Ltd.	—	—	—	335,820
Guarantee to other related party:				
- Hemei (Zhangzhou) Hotel Investment Co., Ltd.	214,000	214,000	408,000	388,000
	<u>214,000</u>	<u>354,000</u>	<u>2,092,700</u>	<u>2,933,320</u>

(iii) *Movements of cash advances*

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash advances to related parties					
Opening balances	797,230	950,823	3,324,359	3,324,359	2,713,147
Non-cash transaction					
- Transfer from prepayment for investment in a joint venture when the joint venture was incorporated	—	—	156,208	156,208	—
Advances to					
- Fuzhou Liboshuntai Property Development Co., Ltd.	225,900	—	—	—	—
- Shanghai Kaidai Property Development Co., Ltd.	—	1,276,089	—	—	—
- Shanghai Kaitai Property Development Co., Ltd.	—	1,747,286	—	—	—
- Shanghai Kairi Property Development Co., Ltd.	—	—	59,442	—	—
- Shanghai Kaichang Property Development Co., Ltd.	—	—	239,769	—	—
- Shanghai Kaiyu Property Development Co., Ltd.	—	—	207,407	100,000	—
- Shanghai Kaichong Property Development Co., Ltd.	—	—	83,984	—	—
- Hairong (Zhangzhou) Property Development Co., Ltd.	—	—	115,896	106,384	—
- Zhangzhou City Wankebinjiang Property Co., Ltd.	—	180,984	11,081	11,081	—
- Mr. Ou	60,036	—	—	—	—
- Mr. Ou Guopeng	96,160	—	—	—	—
	<u>382,096</u>	<u>3,204,359</u>	<u>717,579</u>	<u>217,465</u>	<u>—</u>
Repayments from					
- Shiou Group	(228,503)	(568,727)	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
- Fuzhou Liboshuntai Property Development Co., Ltd.	—	(105,900)	(120,000)	(120,000)	—
- Shanghai Kaidai Property Development Co., Ltd.	—	—	(1,008,500)	(706,000)	(230,000)
- Shanghai Kaitai Property Development Co., Ltd.	—	—	(356,499)	(329,380)	—
- Shanghai Kairi Property Development Co., Ltd.	—	—	—	—	(34,356)
- Shanghai Kaiyu Property Development Co., Ltd.	—	—	—	—	(207,407)
- Hairong (Zhangzhou) Property Development Co., Ltd.	—	—	—	—	(112,518)
- Zhangzhou City Wankebinjiang Property Co., Ltd.	—	—	—	—	(114,600)
- Mr. Ou	—	(60,036)	—	—	—
- Ou Guopeng	—	(96,160)	—	—	—
	<u>(228,503)</u>	<u>(830,823)</u>	<u>(1,484,999)</u>	<u>(1,155,380)</u>	<u>(698,881)</u>
	<u>950,823</u>	<u>3,324,359</u>	<u>2,713,147</u>	<u>2,542,652</u>	<u>2,014,266</u>
Cash advances from related parties					
Opening balances	393,784	856,353	1,869,745	1,869,745	3,199,081
Capitalisation of payables to Dingcheng Investment	(496,300)	—	—	—	—
Payables to Dingcheng Investment during the Reorganisation	—	—	441,316	—	—
Payables to Mr. Ou during the Reorganisation	—	—	332,222	—	—
Advances from					
- Mr. Ou	535,000	37,185	257,650	257,650	—
- Dingcheng Investment	1,209,453	423,800	—	—	—
- Shiou Group	43,200	987,073	318,500	316,151	—
- Fuzhou Liboshuntai Property Development Co., Ltd.	—	—	235,000	235,000	52,000
	<u>1,787,653</u>	<u>1,448,058</u>	<u>811,150</u>	<u>808,801</u>	<u>52,000</u>
Repayments to					
- Shiou Group	—	—	—	—	(113,000)
- Mr. Ou	(828,784)	—	—	—	(529,624)
- Dingcheng Investment	—	(434,666)	(255,352)	—	(888,251)
	<u>(828,784)</u>	<u>(434,666)</u>	<u>(255,352)</u>	<u>—</u>	<u>(1,530,875)</u>
	<u>856,353</u>	<u>1,869,745</u>	<u>3,199,081</u>	<u>2,678,546</u>	<u>1,720,206</u>

The cash advances with related parties are denominated and settled in RMB.

(iv) *Interest expenses on cash advances from related parties*

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expense on cash advances from					
- Mr. Ou	38,208	—	—	—	—
- Dingcheng Investment	—	31,311	—	—	—
	<u>38,208</u>	<u>31,311</u>	<u>—</u>	<u>—</u>	<u>—</u>

The interest charges on cash advances from Mr. Ou and Dingcheng Investment ranged from 5.83% to 9.84% per annum. All the cash advances from Mr. Ou and Dingcheng Investment with interest charges have been settled at the end of each of the Relevant Periods.

34. Particulars of subsidiaries

(a) Particulars of the subsidiaries of the Group as at 31 December 2012, 2013, 2014 and 30 June 2015 are set out as below.

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Authorised/ Registered/ paid up capital	Proportion of ownership interest				Statutory auditors	Years as auditors
						31 December		30 June			
						2012	2013	2014	2015		
Directly held by the Company											
融達有限公司.....	11 September 2014	Limited liability company	BVI	Investment	Authorised and paid up capital of US\$100	—	—	100%	100%	iv	iv
Indirectly held by the Company											
融泰有限公司.....	26 September 2014	Limited liability company	HK	Investment	Paid up capital of HKD100	—	—	100%	100%	iv	iv
福建融晟美商務資訊諮詢有限公司.....	28 October 2014	Limited liability company	PRC	Business Information Consultation	Registered capital of RMB100,000,000 and paid up capital of RMBnil	—	—	100%	100%	iv	iv
福州晟業投資有限公司.....	9 September 2014	Limited liability company	PRC	Investment	Registered and paid up capital of RMB100,000,000	—	—	100%	100%	iv	iv
福州睿豐投資有限公司.....	12 September 2014	Limited liability company	PRC	Investment	Registered capital of RMB10,000,000 and paid up capital of RMBnil	—	—	100%	100%	iv	iv
福州羿恒投資有限公司.....	12 September 2014	Limited liability company	PRC	Investment	Registered and paid up capital of RMB100,000,000	—	—	100%	100%	iv	iv
融信（福建）投資集團有限公司.....	23 September 2003	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB3,000,000,000	100%	100%	100%	100%	福建華達會計師事務所有限公司 Fujian Huada Certified Public Accountant Co., Ltd.	2012~2013

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Authorised/ Registered/ paid up capital	Proportion of ownership interest				Statutory auditors	Years as auditors
						31 December					
						2012	2013	2014	30 June 2015		
融信（福州）投資發展有限公司	Rongxin (Fuzhou) Investment Development Co., Ltd	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB100,000,000	100%	100%	100%	100%	福建華達會計師事務所有限公司 Fujian Huada Certified Public Accountant Co., Ltd.	2012~2014
融信（漳州）房地產有限公司	Rongxin (Zhangzhou) Property Co., Ltd	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB260,000,000	100%	100%	100%	100%	漳州眾誠有限責任會計師事務所 Zhangzhou Zhongcheng Certified Public Accountant Co., Ltd.	2012~2013
融信（福州）置業有限公司	Rongxin (Fuzhou) Property Co., Ltd	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB166,666,700	100%	91%	91%	91%	福建華達會計師事務所有限公司 Fujian Huada Certified Public Accountant Co., Ltd.	2013~2014
融信（廈門）房地產開發有限公司	Rongxin (Xiamen) Property Development Co., Ltd	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB200,000,000	100%	100%	100%	100%	廈門普和會計師事務所有限公司 Xiamen Puhe Certified Public Accountant Co., Ltd.	2012
融信（平潭）投資發展有限公司	Rongxin (Pingtan) Investment Development Co., Ltd	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB196,078,431	—	100%	100%	51%	福建華達會計師事務所有限公司 Fujian Huada Certified Public Accountant Co., Ltd.	2013~2014
和美（上海）房地產開發有限公司	Hemei (Shanghai) Property Development Co., Ltd	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB19,607,843	—	100%	100%	51%	v	v

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Authorised/ Registered/paid up capital	Proportion of ownership interest				Statutory auditors	Years as auditors	
						31 December						
						2012	2013	2014	2015			
福建藍湖房地產開發有限公司	Fujian Lanhu Property Development Co., Ltd	25 April 2011	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB110,000,000	—	100%	100%	100%	漳州龍信會計師事務所 Zhangzhou Longxin Certified Public Accountant Firm 廈門方華會計師事務所有限公司/ Xiamen Fanghua Certified Public Accountant Co., Ltd	2012
杭州愷築融信房地產開發有限公司	Hangzhou Kaizhu Rongxin Property Development Co., Ltd	23 October 2013	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB510,000,000	—	100%	100%	100%	浙江普華會計師事務所有限公司 Zhejiang Puhua Certified Public Accountant Co., Ltd.	2013~2014
福州融信雙杭投資發展有限公司	Fuzhou Rongxin Shuanghang Investment Development Co., Ltd	13 January 2014	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB100,000,000	—	—	100%	100%	福建華達會計師事務所有限公司 Fujian Huada Certified Public Accountant Co., Ltd.	2014
福建泰坤貿易有限公司	Fujian Taikun Trading Co., Ltd	2 May 2013	Limited liability company	PRC	Property Investment	Registered and paid up capital of RMB5,000,000	—	100%	100%	100%	v	v
上海胤博投資有限公司	Shanghai Yin bo Investment Co., Ltd	30 December 2013	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB10,000,000	—	100%	100%	100%	v	v
上海謙春永投資有限公司	Shanghai Qian chunyong Investment Co., Ltd	26 December 2013	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB10,000,000	—	100%	100%	100%	v	v

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Authorised/ Registered/paid up capital	Proportion of ownership interest				Statutory auditors	Years as auditors
						31 December		30 June			
						2012	2013	2014	2015		
融信（福建）置業有限公司 .. Rongxin (Fujian) Property Co., Ltd	04 September 2013	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB100,000,000	—	100%	100%	100%	福建華達會計師事務所有限公司 Fujian Huada Certified Public Accountant Co., Ltd.	2013~2014
福建朗信投資有限公司	07 May 2014	Limited liability company	PRC	Investment	Registered and paid up capital of RMB10,000,000	—	—	100%	100%	iv	iv
杭州融信樞昇房地產開發有限公司	20 February 2014	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB1,000,000,000	—	—	100%	100%	浙江普華會計師事務所有限公司 Zhejiang Puhua Certified Public Accountant Co., Ltd.	2014
上海謙恒置業有限公司	25 March 2014	Limited liability company	PRC	Property Development; Investment	Registered capital of RMB10,000,000 and paid up capital of RMBnil	—	—	100%	100%	iv	iv
和美（漳州）房地產有限公司	28 January 2014	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB50,000,000	—	—	100%	100%	iv	iv
世紀融信（北京）置業有限公司	13 January 2014	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB10,000,000	—	—	—	—	N/A	N/A
長樂融信投資有限公司	24 June 2014	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB100,000,000	—	—	100%	100%	福建華達會計師事務所有限公司 Fujian Huada Certified Public Accountant Co., Ltd.	2014

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Authorised/ Registered/paid up capital	Proportion of ownership interest				Statutory auditors	Years as auditors
						31 December		30 June			
						2012	2013	2014	2015		
廣州海西融信房地產開發有限公司	29 April 2014	Limited liability company	PRC	Property Development	Registered capital of RMB10,000,000 and paid up capital of RMBnil	—	—	—	—	N/A	N/A
融信（漳州）投資有限公司 ...	13 January 2011	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB102,000,000	100%	—	—	—	漳州眾誠有限責任會計師事務所 Zhongcheng Zhongcheng Limited liability of Certified Public Accountant Firm	2012
融信（廈門）置業有限公司 ...	22 June 2011	Limited liability company	PRC	Property Development	Registered and paid up capital of RMB20,000,000	100%	—	—	—	漳州眾誠有限責任會計師事務所 Zhongcheng Zhongcheng Limited liability of Certified Public Accountant Firm	2012
融信（福州）房地產公司	March 2010	Limited liability company	PRC	Property Development	N/A	—	—	—	—	N/A	N/A
福建歐科投資有限公司	13 November 2013	Limited liability company	PRC	Investment	Registered and paid up capital of RMB34,000,000	—	100%	100%	100%	v	v

The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

- (i) These subsidiaries were disposed of in 2014.
 - (ii) These subsidiaries were disposed of in 2013.
 - (iii) The subsidiary was disposed of in 2012.
 - (iv) These companies were established in 2014. No audited financial statements had been issued for these companies as they were newly established or they were not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
 - (v) These companies were established in 2013. No audited financial statements had been issued for these companies as they were not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (b) Certain equity interests in the subsidiaries of the Company were pledged for financing arrangements as at 31 December 2012, 2013, 2014 and 30 June 2015, respectively. For details, please refer to the table below:

	As at 31 December			As at
	2012	2013	2014	30 June 2015
- Percentage of equity interests in Rongxin (Fujian) investment Group Co., Ltd.	—	49%	49%	63%
- Percentage of equity interests in Rongxin (Fuzhou) Investment Development Co., Ltd.	—	51%	—	—
- Percentage of equity interests in Rongxin (Fuzhou) Property Co., Ltd. ...	—	60%	60%	60%
- Percentage of equity interests in Rongxin (Pingtan) Investment Development Co., Ltd.	—	100%	100%	100%
- Percentage of equity interests in Rongxin (Xiamen) Property Development Co., Ltd.	—	66%	51%	51%
- Percentage of equity interests in Hangzhou Kai Zhu Rongxin Property Development Co., Ltd.	—	51%	51%	10%
- Percentage of equity interests in Hemei (Shanghai) Property Development Co., Ltd.	—	100%	100%	100%
- Percentage of equity interests in Hemei (Zhangzhou) Property Co., Ltd.	—	—	51%	51%
- Percentage of equity interests in Fujian Lanhu Property Development Co., Ltd.	—	—	51%	51%
- Percentage of equity interests in Rongxin (Fujian) Property Co., Ltd.	—	—	66%	66%
- Percentage of equity interests in Hangzhou Rongxin Kaisheng Property Development Co., Ltd.	—	—	60%	100%
- Percentage of equity interests in Fuzhou Rongxin Shuanghang Investment Development Co., Ltd.	—	—	30%	30%
- Percentage of equity interests in Changle Rongxin Investment Co., Ltd.	—	—	30%	30%
- Percentage of equity interests in Fujian Taikun Trading Co., Ltd.	—	—	100%	100%

- (c) Equity interests of certain subsidiaries of the Group as set out below were legally held by the financial institutions as the collateral for the funds injected to the Group of which the Group is obligated to redeem at predetermined prices within certain periods.

	As at 31 December			As at 30 June
	2012	2013	2014	2015
- Percentage of equity interests in Rongxin (Fuzhou) Investment Development Co., Ltd.	—	49%	—	—
- Percentage of equity interests in Rongxin (Fuzhou) Property Co., Ltd. ...	—	40%	40%	40%
- Percentage of equity interests in Rongxin (Xiamen) Property Development Co., Ltd.	—	34%	49%	49%
- Percentage of equity interests in Hangzhou Kaizhu Rongxin Property Development Co., Ltd.	—	49%	49%	90%
- Percentage of equity interests in Hemei (Zhangzhou) Property Co., Ltd.	—	—	49%	49%
- Percentage of equity interests in Fujian Lanhu Property Development Co., Ltd.	—	—	49%	49%
- Percentage of equity interests in Fujian Ouke Investment Co., Ltd.	—	—	100%	100%
- Percentage of equity interests in Hangzhou Rongxin Kaisheng Property Development Co., Ltd.	—	—	40%	—
- Percentage of equity interests in Fuzhou Rongxin Shuanghang Investment Development Co., Ltd.	—	—	70%	70%

- (d) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

- (i) Rongxin (Pingtan) Investment Development Co., Ltd.

Summarised balance sheets

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Assets	—	2,164,406	1,770,053	2,513,294
Liabilities	—	(1,718,068)	(1,700,534)	(1,130,302)
Total current net assets	—	446,338	69,519	1,382,992
Non-current				
Assets	—	2,342	7,720	11,097
Liabilities	—	(354,800)	—	(715,000)
Total non-current net (liabilities)/assets	—	(352,458)	7,720	(703,903)
Net assets	—	93,880	77,239	679,089
Non-controlling interest's proportionate share of the net assets	N/A	N/A	N/A	332,753

Summarised income statements

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before income tax	—	(8,110)	(22,085)	(9,312)	(13,466)
Income tax credit	—	1,990	5,444	2,323	3,316
Loss for the year/period	—	(6,120)	(16,641)	(6,989)	(10,150)
Total comprehensive income	—	(6,120)	(16,641)	(6,989)	(10,150)
Total comprehensive income allocated to non-controlling interests	—	—	—	—	(765)

Summarised statements of cash flows

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash (used in)/generated from operating activities	—	(804,158)	113,459	101,128	311,686
Net cash (used in)/generated from investing activities	—	(1,036,997)	693,270	(60,509)	(398,745)
Net cash generated from/(used in) financing activities	—	1,992,437	(929,638)	(183,994)	109,723
Net increase/(decrease) in cash and cash equivalents	—	151,282	(122,909)	(143,375)	22,664
Cash and cash equivalents at beginning of the year/ period	—	—	151,282	151,282	28,373
Cash and cash equivalents at end of the year/ period	—	151,282	28,373	7,907	51,037

(ii) Hemei (Shanghai)

Summarised consolidated balance sheets

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Assets	—	3,283,130	6,220,226	7,381,119
Liabilities	—	(1,746,097)	(2,737,428)	(3,016,831)
Total current net assets	—	1,537,033	3,482,798	4,364,288
Non-current				
Assets	—	6,376	38,633	49,321
Liabilities	—	(1,540,000)	(3,600,000)	(3,799,000)
Total non-current net liabilities	—	(1,533,624)	(3,561,367)	(3,749,679)
Net assets/(deficits)	—	3,409	(78,569)	614,609
Non-controlling interest's proportionate share of the net assets	N/A	N/A	N/A	301,159

Summarised consolidated income statements

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before income tax	—	(8,787)	(109,011)	(41,408)	(49,789)
Income tax credit	—	2,196	27,033	10,323	12,367
Loss for the year/period	—	(6,591)	(81,978)	(31,085)	(37,422)
Total comprehensive income	—	(6,591)	(81,978)	(31,085)	(37,422)
Total comprehensive income allocated to non-controlling interests	—	—	—	—	(4,589)

Summarised consolidated statements of cash flows

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash (used in)/generated from operating activities	—	(3,202,319)	(2,102,307)	(1,244,264)	403,167
Net cash used in investing activities	—	(2,337)	(73,010)	(71,733)	(339,198)
Net cash generated from/(used in) financing activities	—	3,213,639	2,420,610	1,608,515	9,830
Net increase in cash and cash equivalents	—	8,983	245,293	292,518	73,799
Cash and cash equivalents at beginning of the year/period	—	—	8,983	8,983	254,276
Cash and cash equivalents at end of the year/period	—	8,983	254,276	301,501	328,075

35. Subsequent events

Save as those disclosed in elsewhere in this report, the following significant events took place subsequent to 30 June 2015:

- (a) On 18 September 2015, Rongxin Group, filed an application to the Shanghai Stock Exchange (the “SHSE”) for a public issuance, to qualified investors only, of corporate bonds to be listed and traded on the SHSE in an aggregate principal amount of up to RMB2.5 billion (the “Public Corporate Bonds”). Rongxin Group has obtained the pre-approval from SHSE and approval from China Securities Regulatory Commission (“CSRC”) on 29 October 2015 and 27 November 2015, respectively. Pursuant to the approval letter from CSRC to Rongxin Group, the Public Corporate Bonds shall be issued in tranches. The first tranche was issued in December 2015 with a nominal amount of RMB1.2 billion and a 5-year term at a coupon rate of 6.4% per annum, and the other tranches shall be issued within 24 months of the approval.

On 30 September 2015, Rongxin Group filed an application to the SHSE for a private placement of corporate bonds to be listed and traded on the SHSE in an aggregate principal amount of up to RMB5.0 billion to qualified investors only, and, on 3 November 2015, Rongxin Group also filed an application to the Shenzhen Stock Exchange (the “SZSE”) for a private placement of corporate bonds to be listed and traded on the SZSE in an aggregate principal amount of up to RMB3.5 billion to qualified investors only (the “Private Corporate Bonds” and, together with the Public Corporate Bonds, the “Corporate Bonds”). The Private Corporate Bonds can only be listed and traded on the SHSE and SZSE after Rongxin Group receives no-objection letters from the SHSE and SZSE and completes the private placements of the Private Corporate Bonds. On 12 November 2015 and 17 November 2015, Rongxin Group received a no-objection letter from the SZSE and SHSE, respectively. Rongxin Group will, subject to market conditions, determine the issue size, coupon rate, timing and other terms of the Private Corporate Bonds.

Rongxin Group plans to use all of the proceeds from the issuance of the Corporate Bonds, after deducting issuance related expenses, to refinance its existing indebtedness.

- (b) Pursuant to the written resolutions passed by the sole shareholder on 28 December 2015, subject to the share premium account of the Company being credited as a result of the issue of offer shares pursuant to the Global Offering, the directors of the Company were authorised to allot and issue a total of 1,012,499,000 shares credited as fully paid at par value to the holders of shares on the register of members of the Company at the close of business on the business day immediately preceding the listing date (or as they may direct) in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$10,125 standing to the credit of the share premium account of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2015 and up to the date of this report. Saved as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the other companies comprising the Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,

PricewaterhouseCoopers
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