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**CHINA EVERGRANDE GROUP**

中國恒大集團

*(Incorporated in the Cayman Islands with limited liability)*

**(the “Company”, Stock Code: 3333)**

## **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**”).

Please refer to the attached supplemental offering memorandum dated 22 January 2019 in relation to the issuance of US\$1,100,000,000 7.0% senior notes due 2020 (which are consolidated and form a single series with the US\$500,000,000 7.0% senior notes due 2020 issued on 23 March 2017), US\$875,000,000 6.25% senior notes due 2021 (which are consolidated and form a single series with the US\$598,181,000 6.25% senior notes due 2021 issued on 28 June 2017) and US\$1,025,000,000 8.25% senior notes due 2022 (which are consolidated and form a single series with the US\$1,000,000,000 8.25% senior notes due 2022 issued on 23 March 2017) by the Company (the “**Supplemental Offering Memorandum**”), which is available on the website of the Singapore Exchange Securities Trading Limited as of 30 January 2019.

The posting of the Supplemental 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 Supplemental 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 Supplemental 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 Supplemental Offering Memorandum.

By order of the Board  
**China Evergrande Group**  
**Hui Ka Yan**  
*Chairman*

Hong Kong, 30 January 2019

*As at the date of this announcement, the executive Directors are Mr. Hui Ka Yan, Mr. Xia Haijun, Ms. He Miaoling, Mr. Shi Junping, Mr. Pan Darong and Mr. Huang Xiangui, and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.*



**China Evergrande Group**

**中國恒大集團**

(incorporated in the Cayman Islands with limited liability)

**US\$1,100,000,000 7.0% Senior Notes Due 2020 (to be consolidated and form a single series with the US\$500,000,000 7.0% Senior Notes Due 2020 issued on March 23, 2017)**

**Issue Price: 98.627%, plus accrued interest from (and including) September 23, 2018 to (but excluding) January 25, 2019**

**US\$875,000,000 6.25% Senior Notes Due 2021 (to be consolidated and form a single series with the US\$598,181,000 6.25% Senior Notes Due 2021 issued on June 28, 2017)**

**Issue Price: 93.096%, plus accrued interest from (and including) December 28, 2018 to (but excluding) January 25, 2019**

**US\$1,025,000,000 8.25% Senior Notes Due 2022 (to be consolidated and form a single series with the US\$1,000,000,000 8.25% Senior Notes Due 2022 issued on March 23, 2017)**

**Issue Price: 94.054%, plus accrued interest from (and including) September 23, 2018 to (but excluding) January 25, 2019**

China Evergrande Group or the Company, is offering 7.0% Senior Notes due 2020 in the aggregate principal amount of US\$1,100,000,000 (the "Additional 2020 Notes"), 6.25% Senior Notes due 2021 in the aggregate principal amount of US\$875,000,000 (the "Additional 2021 Notes") and 8.25% Senior Notes due 2022 in the aggregate principal amount of US\$1,025,000,000 (the "Additional 2022 Notes"), and together with the Additional 2020 Notes and Additional 2021 Notes, the "Additional Notes", and will be consolidated and form a single series with the Company's outstanding US\$500,000,000 7.0% Senior Notes due 2020 issued on March 23, 2017 (the "Original 2020 Notes", together with the Additional 2020 Notes, the "2020 Notes"), US\$598,181,000 6.25% Senior Notes due 2021 issued on June 28, 2017 (the "Original 2021 Notes", together with the Additional 2021 Notes, the "2021 Notes") and US\$1,000,000,000 8.25% Senior Notes due 2022 issued on March 23, 2017, respectively (the "Original 2022 Notes", together with the Additional 2022 Notes, the "2022 Notes"). The Original 2020 Notes, the Original 2021 Notes and the Original 2022 Notes are collectively referred to as the "Original Notes." The Additional Notes will be issued under the indentures (individually referred to as the "Indenture" and collectively referred to as the "Indentures") governing the Original Notes. The Additional Notes constitute additional notes under the Indentures, and are identical in all respects with the Original Notes, except for the issue date, the issue price, the accrual of interests and certain temporary securities law transfer restriction.

Each tranche of the Additional Notes will be represented by a temporary global note issued under a temporary ISIN and a temporary Common Code number, respectively, to be used during the 40-day distribution compliance period after the issue date of the Additional Notes, but thereafter is expected to be replaced by a permanent global note with the same ISIN and Common Code numbers as the Original 2020 Notes, Original 2021 Notes and Original 2022 Notes, respectively. The Original Notes and the Additional Notes are referred to collectively as the "Notes."

The Additional 2020 Notes will bear interest from September 23, 2018 at the rate of 7.0% per annum, payable semi-annually arrears on March 23 and September 23 of each year, beginning March 23, 2019, and will mature on March 23, 2020. The Additional 2021 Notes will bear interest from December 28, 2018 at the rate of 6.25% per annum, payable semi-annually arrears on June 28 and December 28 of each year, beginning June 28, 2019, and will mature on June 28, 2021. The Additional 2022 Notes will bear interest from September 23, 2018 at the rate of 8.25% per annum, payable semi-annually arrears on March 23 and September 23 of each year, beginning March 23, 2019, and will mature on March 23, 2022.

The Notes are senior obligations of the Company guaranteed by certain of its existing subsidiaries, or the Subsidiary Guarantors, other than (1) those organized under the laws of the PRC, and (2) certain other subsidiaries specified in the section entitled "Description of 2020 Notes", "Description of 2021 Notes" and "Description of 2022 Notes." We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a subsidiary of the Company may instead provide a limited-recourse guarantee, or JV Subsidiary Guarantee. We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors. The Notes and the Subsidiary Guarantees provided by a subsidiary guarantor pledgor will be secured by the capital stock of the Subsidiary Guarantors, in each case to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness and any other secured parties with respect to the Permitted Pari Passu Secured Indebtedness, subject to any other Permitted Liens and the Intercreditor Agreement.

On or after March 23, 2020, with respect to the 2022 Notes the Company may on any one or more occasions redeem all or any part of such 2022 Notes, at the redemption prices (expressed as percentages of principal amount) set forth in "Description of 2022 Notes — Optional Redemption," plus accrued and unpaid interest, if any, on such 2022 Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on March 23 of the years indicated in such section.

At any time and from time to time, we may redeem up to 35% of each series of the Notes, at a redemption price of 107% of the principal amount with respect to the 2020 Notes, at a redemption price of 106.25% of the principal amount with respect to the 2021 Notes and 108.25% of the principal amount with respect to the 2022 Notes, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem the Notes, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus (i) accrued and unpaid interest (if any) to the redemption date, and (ii) a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in each Indenture), we must make an offer to repurchase all such Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) at least *pari passu* in right of payment against the Company with the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness 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 existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (3) guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations, (4) effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral), and (5) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. 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 the section entitled "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 sections entitled "Description of 2020 Notes", "Description of 2021 Notes" and "Description of 2022 Notes."

Several investors will purchase a majority of the Additional Notes being offered under this offering memorandum.

**Investing in the Additional Notes involves risks. See the section entitled "Risk Factors" beginning on page 23.**

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Additional 2020 Notes and the Additional 2022 Notes are expected to be assigned a rating of B2 by Moody's Investors Service, or Moody's, and B+ by Fitch Ratings, or Fitch. The Additional 2021 Notes are expected to be assigned a rating of B2 by Moody's, B by Standard & Poor's Ratings Services, or S&P, and B+ by Fitch. We have also been assigned a corporate family rating of B1 with a positive outlook by Moody's, a rating of B+ with a positive outlook by Fitch and a rating of B+ with a positive outlook by S&P. **We cannot assure investors that these ratings will not be adversely revised or withdrawn in the future.**

Application has been made to the SGX-ST for the listing and quotation of the Additional 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 Additional Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any of their respective associated companies (if any), the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "MAS") under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Please see the selling restrictions set out under the section "Plan of Distribution" on page 482 of this offering memorandum.

The Additional 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, or the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Additional Notes are being offered and sold only to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions" on page 487 of this offering memorandum.

It is expected that the delivery of the Additional Notes will be made on or about January 25, 2019 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

*Joint Lead Managers and Joint Bookrunners*

**Credit Suisse**

**CEB International**

**China CITIC  
Bank International**

**UBS**

The date of this offering memorandum is January 22, 2019

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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.

IN CONNECTION WITH THIS OFFERING, CREDIT SUISSE (HONG KONG) LIMITED, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE ADDITIONAL 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 ADDITIONAL NOTES. AS A RESULT, THE PRICE OF THE ADDITIONAL 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.

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 Additional Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the issue and offering of the Additional 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 Additional 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 Additional 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 Additional Notes. You should read this offering memorandum before making a decision whether to purchase the Additional 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 Additional Notes. By purchasing the Additional 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 the Initial Purchasers, the Trustee or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or the Trustee or any person affiliated with the Initial Purchasers or the Trustee 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 Additional Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of us and the terms of the offering of the Additional Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers or the Trustee.

**PRIIPs Regulation/Prospectus Directive/Prohibition of sales to EEA retail investors** — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II product governance** — Any distributor subject to MiFID II (as defined above) that is offering, selling or recommending the securities is responsible for undertaking its own target market assessment in respect of the securities and determining its own distribution channels for the purposes of the MiFID product governance rules under Commission Delegated Directive (EU) 2017/593 (“**Delegated Directive**”). Neither we nor the Sole Lead Manager make any representations or warranties as to a distributor’s compliance with the Delegated Directive.

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

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

**The Additional 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, 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 Additional 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 Additional Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Additional Notes, including 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 Additional 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 Additional Notes.

We reserve the right to withdraw the offering of the Additional Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Additional Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Additional Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Additional 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 China Evergrande Group (formerly known as Evergrande Real Estate Group Limited) itself, or to China Evergrande Group and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and 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 their respective directors and advisors, and neither we, the Initial Purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. 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 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, or 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, or Hong Kong; and all references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China, or 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 RMB6.6171 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on June 29, 2018, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.8463 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on June 29, 2018. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled “Exchange Rate Information.”

References to “PRC” and “China,” for the statistical purposes of this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC, or 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, or HKFRS, which may differ in material respects from generally accepted accounting principles (“GAAP”) in certain other jurisdictions.



References to the “Original 2020 Notes” are to our 7.0% Senior Notes due 2020. References to the “Original 2022 Notes” are to our 8.25% Notes due 2022. References to the “2024 Notes” are to our 9.50% Senior Notes due 2024. References to the “Original 2021 Notes” are to our 6.25% Senior Notes due 2021. References to the “June 2023 Notes” are to our 7.50% Senior Notes due 2023. References to the “2025 Notes” are to our 8.75% Senior Notes due 2025. References to the “Convertible Bonds” are to our HK\$18 billion 4.25% convertible bonds due 2023. References to the “November 2020 Notes” are to our 11.0% Senior Notes due 2020. References to the “November 2022 Notes” are to our 13.0% Senior Notes due 2022. References to the “November 2023 Notes” are to our 13.75% Senior Notes due 2020. References to the “2020 Private Notes” are to our 8.00% Senior Notes due 2020. References to “Existing Notes” are to the Original 2020 Notes, Original 2022 Notes, 2024 Notes, Original 2021 Notes, June 2023 Notes, 2025 Notes, November 2020 Notes, November 2022 Notes, November 2023 Notes and 2020 Private Notes, collectively. References to “Existing Indentures” are to the indentures governing such Existing Notes. References to the “Existing Pari Passu Secured Indebtedness” are to the Original 2020 Notes, the Original 2022 Notes, the 2024 Notes, the Original 2021 Notes, the June 2023 Notes, the 2025 Notes, the Convertible Bonds and the 2020 Private Notes.

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, or 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, contracted sales represent the total purchase price of formal purchase contracts we enter into with purchasers of our properties within a specified period, as disclosed to us by our project companies nationwide, aggregated at our headquarters, and recorded in our internal records on a monthly basis.

In this offering memorandum, unless the context otherwise requires, all references to “affiliate” are to a person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to “subsidiary” are used with the meaning ascribed to it in the Listing Rules.

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

In this offering memorandum, all references to “first-tier cities” are to Beijing, Shanghai, Guangzhou and Shenzhen; all references to “second-tier cities” are to the provincial capitals, Chongqing, Tianjin, Dalian, Qingdao, Ningbo, Xiamen, Zhuhai, Shantou and other cities with a Gross Domestic Product of at least RMB500 billion and a population of at least seven million other than the first-tier cities; and all references to “third-tier cities” are to the prefecture-level cities other than the first and second-tier cities.

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

## FORWARD-LOOKING STATEMENTS

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

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

In some cases, you can identify forward-looking statements by such terminology as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance, 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.

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## **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 in jurisdictions such as the British Virgin Islands, and 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.

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

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

We have been advised by our Cayman Islands legal advisors, Maples and Calder (Hong Kong) LLP, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any state and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us, our directors or officers, any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) or their directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state, on the grounds that such provisions are penal in nature. However, in the case of laws that are not penal in nature, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the

sum for which judgment has been given provided that such judgment is final and conclusive, for a liquidated sum, not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matter, and was not obtained in a manner, and is not a kind the enforcement of which is, contrary to the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

We have been advised by our British Virgin Islands legal advisors, Maples and Calder (Hong Kong) LLP, that any final and conclusive monetary judgment of a competent foreign court for a definite sum against the Company in the courts of United States (the “Foreign Court”), for a definite sum, may be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the judgment of the Foreign Court: (i) the Foreign Court had jurisdiction in the matter and the Company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process; (ii) the judgment given by the Foreign Court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Company; (iii) in obtaining the judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the Foreign Court; (iv) recognition or enforcement of the judgment would not be contrary to British Virgin Islands public policy; and (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

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.

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

## SUMMARY

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

### Overview

We are the largest real estate development company in China in terms of contracted sales attributable to our Group and land reserves in 2017, according to China Real Estate Information Corporation and the land reserve data disclosed by relevant companies in their applicable stock exchange filings. Founded in Guangzhou City, Guangdong Province in 1996, we have become a leading national property developer through our economies of scale and widely recognized brand name, under the leadership of our management team. Over the years, our focus on a centralized management system, a standardized operational model and quality products have allowed us to quickly replicate our success across China. We focus primarily on provincial capitals and other selected cities that we believe have high-growth potential. We continue to improve our geographical mix by focusing on replenishment of quality land reserves and taking a balanced approach to the distribution of land reserves among first-, second- and third-tier cities. Our land reserves cover most of the provincial capitals and municipalities in China. Through our standardized operational model, we have been able to simultaneously manage projects in various development and sale stages in 228 cities across China as of June 30, 2018.

Our residential property development integrates planning, design, construction and property management and follows our standardized process management to ensure development speed and product quality. We have been awarded the highest recognition in China in real estate development, architectural planning and design, construction, construction supervision and property management, and have been ranked among the “Top 10 Property Developers of China” for 14 consecutive years since 2004 by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center and China Index Academy. We were ranked as No. 2 of the “Top 500 Real Estate Companies of China” for six consecutive years since 2011, No. 1 of the “Top 10 Real Estate Companies of China” in 2017 and No. 1 of the “Top 100 Real Estate Companies of China” in 2018. We were also ranked 230th on Fortune Global 500 in 2018.

We had the largest land reserves among all PRC property developers listed in China and Hong Kong as of June 30, 2018, based on the land reserve data disclosed by relevant companies in their applicable stock exchange filings. We had a total of 822 property projects under development or held for future development, a total planned GFA of approximately 305 million sq.m. of high-quality and relatively low-cost land as of June 30, 2018 with an average cost of approximately RMB1,683 per square meter, as calculated by dividing our aggregate land purchase price by our aggregate planned GFA. As of June 30, 2018, we had an aggregate of approximately RMB107.8 billion outstanding land premiums.

Over the years, we have developed and introduced various distinctive product series to the market, including:

- *Mid- to mid-high-end series* represented by products within our Evergrande Oasis (恒大綠洲) series, Evergrande Metropolis (恒大名都) series, Evergrande City (恒大城) series, Evergrande Atrium (恒大雅苑) series, Evergrande Royal Scenic Bay (恒大御景灣), Evergrande Emerald Court (恒大翡翠華庭) series, Evergrande Bay (恒大江灣) series, Evergrande Plaza (恒大廣場) series and Evergrande Bund (恒大外灘) series which we target to account for approximately 85% of our current projects, and are marketed toward middle to upper-middle income residents, who currently constitute the largest segment of residential real estate purchasers. Evergrande Metropolis and Evergrande City are urban residential

complexes in major cities, while Evergrande Oasis and Evergrande Atrium are located in areas with the requisite natural landscape. These series are equipped with well-developed facilities and amenities within the complexes.

- *High-end series* represented by products within our Evergrande Palace (恒大華府) series, Evergrande Royal Scenic Peninsula (恒大御景半島) series, Evergrande Emperor Scenic (恒大帝景) series and Evergrande Royal Scenic (恒大御景) series, which we target to account for approximately 15% of our current projects, and are positioned as high-end and premium residential properties in urban centers. These series target high-income residents in such regions.
- Our tourism related business, mainly consisting of Evergrande Venice on the Sea Qidong Project (啟東恒大海上威尼斯項目) and Sea Ocean Flower Island Hainan Project (中國海南海花島項目). Through these projects, we focus on developing large-scale cultural tourism projects catering to tourists and vacation home owners, including large-scale facilities such as man-made islands, beaches, recreation and shopping facilities, large-scale hotels, as well as large conference centers able to accommodate thousands of conference attendees. As of June 30, 2018, the total area of the land reserves for tourism projects was 47.14 million sq.m., with a total area under construction of 12.85 million sq.m.

We design and develop all of our product series under our standardized operational model and market them under the brand name of “Evergrande” on a nationwide basis.

We strive to provide high-quality residential products to the market by focusing on every step of the development process, from site selection, planning, landscaping and construction to fitting-out and property management. We aim to deliver “best-in-class” end-products to our customers. Over the years, our products have gained wide brand recognition among consumers, as reflected by our strong contracted sales and sales records. For the years ended December 31, 2015, 2016, 2017 and 2018, our total contracted sales, which have not been audited or reviewed by our auditors, amounted to approximately, RMB201.3 billion, RMB373.4 billion, RMB501.0 billion (US\$75.7 billion) and RMB551.3 billion (US\$83.3 billion), respectively, with a total contracted sales GFA of approximately, 25.5 million sq.m., 44.7 million sq.m., 50.3 million sq.m. and 52.4 million sq.m., respectively. The average selling price for our contracted sales in 2018 was RMB10,515 per square meter, as calculated based on our internal records.

Leveraging our strengths in the property industry, we have taken significant initiatives or made investments to expand into industries including tourism and culture, healthcare, new energy vehicle, high technology as well as banking and insurance with a view to establishing alternative revenue sources and diversifying our business portfolio.

### **Our Competitive Strengths**

We believe that we possess the following principal strengths that enable us to compete in the residential property market in China:

- We are the largest real estate development company in China;



- We are a leader of the standardized operational model for large-scale quality property developments;
- We have strategically acquired large, relatively low-cost land reserves, with 305 million sq.m. in 228 cities across China as of June 30, 2018, focusing on provincial capitals and other selected cities that we believe have high-growth potential;
- We have leveraged our industry-leading brand name and strategic partnerships with renowned suppliers to develop quality products that are well-recognized by the market;
- We offer a comprehensive product mix that caters to different market segment demands;
- We are able to effectively control our costs at every stage of the project development;
- We possess a highly experienced and stable management team with proven execution capabilities to adapt and respond to market changes; and
- We have proven capability to develop projects and achieve asset turnover rapidly.

You should refer to the section entitled “Business — Our Competitive Strengths” for further information about these strengths.

### **Our Business Strategies**

Our principal business strategies are:

- Continue to replenish our land reserves in first- and second-tier cities and selected third-tier cities in prime locations;
- Continue to optimize and leverage our standardized operational model;
- Maintain a comprehensive product offering with a primary focus on residential properties;
- Adopt prudent and disciplined financial policies;
- Focus on product quality to enhance our brand; and
- Continue our business diversification strategy.

You should refer to the section entitled “Business — Business Strategies” for further information about these strategies.

## Proposed Reorganization and Strategic Investment

On October 3, 2016, two wholly-owned PRC subsidiaries of the Company, Guangzhou Kailong Real Estate Company Limited (“**Kailong Real Estate**”) and Hengda Real Estate Group Company Limited (“**Hengda Real Estate**”) entered into an agreement (the “**Cooperation Agreement**”), as amended on April 20, 2017, December 29, 2017, June 13, 2018 and December 28, 2018 with, among others, Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (“**Shenzhen Real Estate**”), pursuant to which, subject to entering into a definitive agreement, Shenzhen Real Estate will, by way of issue of Renminbi ordinary shares and/or the payment of cash consideration, acquire 100% of the equity interest in Hengda Real Estate (the “**Target Assets**”) from Kailong Real Estate and certain investors of Hengda Real Estate. The acquisition will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate (the “**Proposed Reorganization**”) and will enable us to effectively list our real estate assets on the Shenzhen Stock Exchange A-share market.

The Cooperation Agreement provides, among others, the following:

- The parties will exercise their best endeavors to complete the Proposed Reorganization and the final scheme and transactional details of the Proposed Reorganization will be set out in a definitive agreement (the “**Reorganization Agreement**”).
- There will be an exclusive period to March 31, 2019 during which time the parties may not discuss or enter into any agreements with any other party in respect of transactions of the same or similar in nature as the Proposed Reorganization.
- The parties will enter into an agreement in respect of an undertaking on business performance of the Target Assets. Kailong Real Estate will, in accordance with the relevant provisions of applicable laws and regulations and regulatory documents as well as market practices, provide an undertaking on the net profit of the Target Assets for 2017, 2018 and 2019 (the “**Relevant Period of the Cooperation Agreement**”). If the actual profit of the Target Assets is less than such amount upon the expiry of the Relevant Period of the Cooperation Agreement, Kailong Real Estate will, in compliance with the regulations of the regulatory authorities and in an approved manner, provide certain compensation for any shortfall in profit.
- The consideration for the Target Assets will be determined by the parties through consultation based on the appraised value of the assets as determined by a qualified valuer for securities transactions with such appraised value having been filed with and approved by the Shenzhen People’s Government State-owned Assets Administration Commission (“**Shenzhen SASAC**”), plus the additional cash earnings of Hengda Real Estate for the period between the valuation date and the date of the Reorganization Agreement.
- The issue price of the consideration shares by Shenzhen Real Estate to Kailong Real Estate will not be lower than 90% of the reference market price of the Shenzhen Real Estate shares. The reference market price will be the average closing prices of the Shenzhen Real Estate shares for one of the 20 trading days, 60 trading days or 120 trading days prior to the date of announcement by the board of Shenzhen Real Estate on their resolution on the Proposed Reorganization. The final issue price will be determined by the parties through consultation.
- Prior to the signing of the Reorganization Agreement, Hengda Real Estate may introduce strategic investments and that the parties involved in the Proposed Reorganization will be adjusted accordingly upon the introduction of any strategic investors.

- The Proposed Reorganization requires the following approvals: (1) the board of directors, the board of supervisors (if necessary), and the shareholders of Shenzhen Real Estate having approved the Proposed Reorganization, (2) the shareholders of Shenzhen Real Estate having approved Kailong Real Estate from making a general offer in respect of the Proposed Reorganization, (3) the Board and the shareholders of the Company having approved the Proposed Reorganization, (4) Shenzhen SASAC's having approved the valuation of the Target Assets and its filing, (5) the Shenzhen Municipal Government and the Shenzhen SASAC having approved the Proposed Reorganization, (6) the Proposed Reorganization having passed the anti-trust review by the Ministry of Commerce, (7) the China Securities Regulatory Commission having approved the Proposed Reorganization, (8) The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") having consented to the proposed spin-off and the granting of a waiver from exemption to provide the shareholders of the Company with an assured entitlement to the shares of Shenzhen Real Estate, and (9) approvals/filings from other competent authorities in accordance with applicable laws and regulations.

On December 30, 2016, May 31, 2017 and November 6, 2017, Kailong Real Estate and Hengda Real Estate entered into investment agreements (the "**Investment Agreements**") with certain investors (the "**first round investors**", "**second round investors**" and "**third round investors**", and collectively, the "**Investors**") who agreed to subscribe for new capital of the enlarged equity interest in Hengda Real Estate for an aggregate amount of RMB130 billion (the "**Capital Increase**") in return of an aggregate of approximately 36.54% of the enlarged equity interest of Hengda Real Estate (the "**Strategic Investments**"). The purpose of the capital injection was to raise funds as well as to allow Shenzhen Real Estate to maintain its public float upon completion of the Proposed Reorganization.

The Investment Agreements provide, among others, the following:

- Kailong Real Estate and Hengda Real Estate have undertaken to the first round investors and second round investors that the net profit deducting extraordinary gains or losses of Hengda Real Estate for the financial years of 2017, 2018 and 2019 (the "**Relevant Period**" with respect to the first and second round investors) shall not be less than RMB24.3 billion, RMB50 billion and RMB55 billion, respectively (each a "**Performance Undertaking Amount**" to the first and second round investors).
- Kailong Real Estate and Hengda Real Estate have undertaken to the third round investors that the net profit deducting extraordinary gains or losses of Hengda Real Estate for the financial years of 2018, 2019 and 2020 (the "**Relevant Period**" with respect to the third round investors) shall not be less than RMB50 billion, RMB55 billion and RMB60 billion, respectively (each a "**Performance Undertaking Amount**" to the third round investors).
- Prior to the entering into of the Reorganization Agreement and subject to the dividend payment not adversely affecting the ability of Hengda Real Estate to continue to operate, Hengda Real Estate will distribute at least 68% of its net profit for each of the financial years under the Relevant Period to its shareholders. If the net profit of Hengda Real Estate for a financial year in the Relevant Period is less than the Performance Undertaking Amount for that financial year, the proportional dividend to be paid by Hengda Real Estate to the Investors will be adjusted upward by in accordance with the following formula: percentage ratio of the proportional dividend payable to the Investors *equals* (i) percentage of equity interest held by the Investors *divided by* (ii) actual net profit of Hengda Real Estate for that financial year/the Performance Undertaking Amount for that year. If the percentage ratio calculated by the formula is greater than 100%, then the distribution to the Investors will be based on 100%.

- The dividend payment arrangement will lapse upon the execution of the Reorganization Agreement. Upon the execution of the Reorganization Agreement, dividend payments will be made in accordance with the applicable requirements of the CSRC and the terms of the Reorganization Agreement. If, for any reasons, the Reorganization Agreement is terminated after its execution, Hengda Real Estate will make up for any shortfall in dividends paid to the Investors during the period between the execution of the Reorganization Agreement and its termination in accordance with the terms of the Investment Agreements.
- If the Proposed Reorganization as contemplated under the Reorganization Agreement is not completed by an agreed date (as for the first and second round investor, January 31, 2020, as for the third round investor, January 31, 2021) and the failure to complete is not attributable to the relevant Investor, the relevant Investor will have the right within two months of the expiry of such deadline to request Kailong Real Estate to either: (i) repurchase the equity interest held by the relevant Investor at its original investment cost; or (ii) transfer shares in Hengda Real Estate to the relevant Investor without consideration in accordance with the following formula as compensation: Percentage of equity in Hengda Real Estate to be transferred by Kailong Real Estate to the relevant Investor as compensation *equals* (a) Percentage interest in Hengda Real Estate held by the relevant Investor on the signing of the compensation agreement (excluding any additional interest acquired by the relevant Investor after the date of the relevant Investment Agreement) *times* (b) 50%.

The Proposed Reorganization constitutes a spin-off requiring the approval of the Hong Kong Stock Exchange. On January 24, 2017, the Company received in-principle approval for the proposed spin-off in relation to the Proposed Reorganization from the Hong Kong Stock Exchange. The Company may introduce further investors to Hengda Real Estate in the near future.

## **Recent Developments**

### ***The Acquisition of NEVS***

In January 2019, we acquired 51% of the shares in National Electric Vehicle Sweden (“NEVS”) in Sweden, a global new energy smart car group. For more information, see the section entitled “Business — Other Business.”

### ***The Issuance of Senior Notes***

Since June 30, 2018, we have incurred additional debt in the ordinary course of business to finance our operations and also for refinancing purposes. On November 6, 2018, Scenery Journey Limited, a subsidiary of the Company, issued US\$565 million 11.0% senior notes due 2020, US\$645 million 13.0% senior notes due 2022 and US\$590 million 13.75% senior notes due 2023. On November 23, 2018, Scenery Journey Limited further issued additional US\$1 billion 11.0% senior notes due 2020, to be consolidated and form a single series with the US\$565 million 11.0% senior notes due 2020. See also “Description of Material Indebtedness and Other Obligations.”

### ***Newly Acquired Land***

Set forth below are some of our major land acquisitions made subsequent to June 30, 2018 involving land premiums of over RMB3.0 billion.

1. *Taizhou Xianju Dawei Century City*

We acquired this project in Taizhou, Zhejiang, for a total land premium of RMB3,812 million. The project occupies an aggregate total site area of approximately 867,764 sq.m.. We hold a 100% equity interest in this project.

2. *Evergrande Sunshine Peninsula*

We acquired this project in Huainan, Anhui, for a total land premium of RMB6,582 million. The project occupies an aggregate total site area of approximately 1,975,805 sq.m.. We hold a 51.0% equity interest in this project.

### ***Dividend Distribution***

On October 19, 2018, we paid a dividend of RMB1.130 per share of the Company for the two financial years of 2016 and 2017.

### ***Strategic Cooperation with Guanghui Group***

On September 21, 2018, we entered into a strategic cooperation agreement with Guanghui Group, pursuant to which the parties agreed to fully cooperate strategically in the fields of vehicle sales, energy, real estate and logistics, to give full play to their strengths in resource integration, and promote relevant industry development. The total consideration for the transaction was RMB14.49 billion.

### **General Information**

We were incorporated in the Cayman Islands on June 26, 2006 under the name of “Evergrande Real Estate Group Limited” as an exempted company with limited liability, with registered number MC-169971. We have since changed our name to “China Evergrande Group.” Our principal place of business in China is at 35/F, Excellent Houhai Financial Center, No. 1126, Hyde 3rd Road, Nanshan District, Shenzhen, Guangdong Province, PRC. Our place of business in Hong Kong is at 23/F, China Evergrande Centre, No.38 Gloucester Road, Wan Chai, Hong Kong. Our registered office is located at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. Our website is <http://www.evergrande.com>. Information contained on our website does not constitute a part of this offering memorandum.

## THE OFFERING

*Terms used in this summary and not otherwise defined have the meanings given to them in the section entitled “Description of 2020 Notes,” “Description of 2021 Notes” and “Description of 2022 Notes.”*

Issuer . . . . . China Evergrande Group (formerly known as Evergrande Real Estate Group Limited), or the Company.

Additional Notes offered . . . . . US\$1,100,000,000 aggregate principal amount of 7.0% Senior Notes due 2020 (the “**Additional 2020 Notes**”), to be consolidated and form a single class with the US\$500,000,000 7.0% Senior Notes due 2020 issued by the Company on March 23, 2017 (the “**Original 2020 Notes**”) after the expiry of the 40 day distribution compliance period after the issue date of the Additional 2020 Notes.

US\$875,000,000 aggregate principal amount of 6.25% Senior Notes due 2021 (the “**Additional 2021 Notes**”), to be consolidated and form a single class with the US\$598,181,000 6.25% Senior Notes due 2021 issued by the Company on June 28, 2017 (the “**Original 2021 Notes**”) after the expiry of the 40 day distribution compliance period after the issue date of the Additional 2021 Notes.

US\$1,025,000,000 aggregate principal amount of 8.25% Senior Notes due 2022 (the “**Additional 2022 Notes**” and, together with the Additional 2020 Notes and the Additional 2021 Notes, the “**Additional Notes**”), to be consolidated and form a single class with the US\$1,000,000,000 8.25% Senior Notes due 2022 issued by the Company on March 23, 2017 (the “**Original 2022 Notes**” and, together with the Original 2020 Notes and Original 2021 Notes, the “**Original Notes**” and, together with the Additional Notes, the “**Notes**”) after the expiry of 40 days after the issue date of the Additional 2022 Notes.

The terms for each tranche of the Additional Notes are the same as those for the respective tranche of the Original Notes in all respects except for the issue date, the issue price, the accrual of interests and certain temporary securities law transfer restriction. Each tranche of Additional Notes will be represented by a temporary global note issued under a temporary ISIN and Common Code number, respectively, to be used during the 40-day distribution compliance period after the issue date of the Additional Notes, but thereafter is expected to be replaced by a permanent global note with the same ISIN and Common Code numbers as the respective Original Notes.

Offering price . . . . . Additional 2020 Notes: 98.627% of the principal amount of the Additional Notes, plus accrued interest from (and including) September 23, 2018 to (but excluding) January 25, 2019.

Additional 2021 Notes: 93.096% of the principal amount of the Additional Notes, plus accrued interest from (and including) December 28, 2018 to (but excluding) January 25, 2019.

Additional 2022 Notes: 94.054% of the principal amount of the Additional Notes, plus accrued interest from (and including) September 23, 2018 to (but excluding) January 25, 2019.

Maturity date . . . . .	<p>Additional 2020 Notes: March 23, 2020</p> <p>Additional 2021 Notes: June 28, 2021</p> <p>Additional 2022 Notes: March 23, 2022</p>
Interest . . . . .	<p>The Additional 2020 Notes will bear interest from September 23, 2018 at the rate of 7.0% per annum, payable semi-annually in arrears.</p> <p>The Additional 2021 Notes will bear interest from December 28, 2018 at the rate of 6.25% per annum, payable semi-annually in arrears.</p> <p>The Additional 2022 Notes will bear interest from September 23, 2018 at the rate of 8.25% per annum, payable semi-annually in arrears.</p>
Interest payment dates . . .	<p>The Additional 2020 Notes: March 23 and September 23 of each year, commencing March 23, 2019.</p> <p>The Additional 2021 Notes: June 28 and December 28 of each year, commencing June 28, 2019.</p> <p>The Additional 2022 Notes: March 23 and September 23 of each year, commencing March 23, 2019.</p>
Ranking of the Notes . . .	<p>The Notes are:</p> <ul style="list-style-type: none"> <li>● general obligations of the Company;</li> <li>● senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;</li> <li>● at least <i>pari passu</i> in right of payment with the Existing <i>Pari Passu</i> Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);</li> <li>● guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations described under the sections entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” “Description of 2020 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees,” “Description of 2021 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” and “Description of 2022 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees;”</li> <li>● effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and</li> <li>● effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.</li> </ul>



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

- be entitled to the benefit of a lien on the Collateral, to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness and any other creditors with respect to the Permitted Pari Passu Secured Indebtedness (or their representatives or agents), subject to any other Permitted Liens and the Intercreditor Agreement and to releases and discharges as permitted under the Indentures; and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees . . . 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.

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor (if any) may be released in certain circumstances. See the sections entitled “Description of 2020 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees,” “Description of 2020 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees,” “Description of 2021 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees,” “Description of 2021 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees,” “Description of 2022 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees” and “Description of 2022 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees.”

As of the date of this offering memorandum, the Subsidiary Guarantors are ANJI (BVI) Limited (安基(BVI)有限公司), Billion Mark Limited, Fengyu (BVI) Limited (豐域(BVI)有限公司), Full Hill Limited, Goldbridge Limited, Grandday Group Limited (朝隆集團有限公司), Honour Oasis Limited, Jiading Holdings Limited (嘉鼎控股有限公司), Jijian (BVI) Limited (嘉建(BVI)有限公司), Jiaying Holdings Limited (嘉穎控股有限公司), Jiayu Holdings Limited (嘉譽控股有限公司), Lucky Grow Holdings Limited (智煌控股有限公司), Pyramid Wealth Holdings Limited, Shengjian (BVI) Limited (盛建(BVI)有限公司), Value Depot Holdings Limited, and Yitong (BVI) Limited (億通(BVI)有限公司), which include all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries. The Subsidiary Guarantors are holding companies that do not have significant operations.

Other than the above listed Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC would be an initial Subsidiary Guarantor on the issue date of the Additional Notes. In addition, none of the Restricted Subsidiaries existing on the Original Issue Date that are Subsidiaries organized under the laws of the PRC and the future Restricted Subsidiaries that are organized under the laws of the PRC, the Exempted Subsidiaries and the Listed Subsidiaries (as long as they continue to be Exempted Subsidiaries or Listed Subsidiaries, as applicable) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future.

Any Restricted Subsidiary (other than future PRC Subsidiaries, Exempted Subsidiaries or Listed Subsidiaries) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee as soon as practicable after it becomes a Restricted Subsidiary or as soon as practicable after it ceases to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary organized under laws outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceasing to be an Exempted Subsidiary or a Listed Subsidiary, provided that, after giving effect to the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of the Relevant 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 (other than the Collateral);
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

- ranks at least *pari passu* with the Indebtedness of such Subsidiary Guarantor under its subsidiary guarantee with respect to the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law).

Ranking of JV Subsidiary Guarantees . . . . .

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;
- subject to the limitation to the JV Entitlement Amount, 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
- subject to the limitation to the JV Entitlement Amount, will rank at least *pari passu* with the Indebtedness of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee with respect to the Existing Pari Passu Secured Indebtedness (if any) and all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The JV Subsidiary Guarantees of each JV Subsidiary Guarantor will not be secured.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees . .

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale of existing Capital Stock or the issuance of new Capital Stock by the Company or any of its Restricted Subsidiaries in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor if certain conditions are satisfied.

Security to be granted . . . The Company has agreed, for the benefit of the Holders, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock owned directly by the Company or the initial Subsidiary Guarantor Pledgors of each initial Subsidiary Guarantor, or extend the benefit of the security interest over such Capital Stock under the Share Charges, subject to any Permitted Lien and the Intercreditor Agreement, on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indentures and of such initial Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

The security created in respect of 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, subject to certain limitations, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness which would be secured by the security created in respect of the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees. See the sections entitled “Description of 2020 Notes — Security,” “Description of 2021 Notes — Security” and “Description of 2022 Notes — Security.”

The Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness (if any) and any other secured parties with respect to the Permitted Pari Passu Secured Indebtedness, subject to any other Permitted Liens and the Intercreditor Agreement; 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 the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

Intercreditor Agreement . . . On January 19, 2011, the Company entered into the Intercreditor Agreement with, among others, the Subsidiary Guarantor Pledgors, the Collateral Agent and as acceded to by holders (or representatives, agents or trustees thereof) of Existing Pari Passu Secured Indebtedness.

On the issue date of the Additional Notes, the Trustee will accede to the Intercreditor Agreement, whereupon the Holders of the Additional Notes will share equal priority and *pro rata* entitlement in and to the Collateral with the holders of any Existing Pari Passu Secured Indebtedness remaining outstanding after the issue date of the Additional Notes and any other creditors with respect to Permitted Pari Passu Secured Indebtedness.

Use of proceeds . . . . . We intend to use the proceeds primarily for refinancing of existing indebtedness with the remainder for general corporate purposes.

Optional Redemption . . . . Additional 2020 Notes:

At any time prior to March 23, 2020, the Company may at its option redeem the Additional 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Additional 2020 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to March 23, 2020, the Company may redeem up to 35% of the aggregate principal amount of the Additional 2020 Notes at a redemption price of 107% of the principal amount of the Additional 2020 Notes redeemed, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Additional 2021 Notes:

At any time prior to June 28, 2021, the Company may at its option redeem the Additional 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Additional 2021 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to June 28, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Additional 2021 Notes at a redemption price of 106.25% of the principal amount of the Additional 2021 Notes redeemed, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Additional 2022 Notes:

On or after March 23, 2020, the Company may on any one or more occasions redeem all or any part of the Additional 2022 Notes, at the redemption prices (expressed as percentages of principal amount) set forth in “Description of 2022 Notes — Optional Redemption,” plus accrued and unpaid interest, if any, on the Additional 2022 Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on March 23 of the years indicated in such section.

At any time prior to March 23, 2020, the Company may at its option redeem the Additional 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Additional 2022 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to March 23, 2020, the Company may redeem up to 35% of the aggregate principal amount of the Additional 2022 Notes at a redemption price of 108.25% of the principal amount of the Additional 2022 Notes redeemed, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Repurchase of Notes upon a Change of Control Triggering Event . . . . .	Upon the occurrence of a Change of Control Triggering Event as defined under the sections entitled “Description of 2020 Notes — Definitions,” “Description of 2021 Notes — Definitions” and “Description of 2022 Notes — Definitions,” 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.
Redemption for taxation reason. . . . .	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company, 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 the sections entitled “Description of 2020 Notes — Redemption for Taxation Reasons,” “Description of 2021 Notes — Redemption for Taxation Reasons” and “Description of 2022 Notes — Redemption for Taxation Reasons.”
Covenants . . . . .	<p>The Notes, the Indentures governing the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> <li>● incur or guarantee additional indebtedness and issue disqualified or preferred stock;</li> <li>● declare dividends on its capital stock or purchase or redeem capital stock;</li> <li>● make investments or other specified restricted payments;</li> <li>● issue or sell capital stock of Restricted Subsidiaries;</li> <li>● guarantee indebtedness of Restricted Subsidiaries;</li> <li>● sell assets;</li> <li>● create liens;</li> <li>● enter into sale and leaseback transactions;</li> <li>● enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;</li> <li>● enter into transactions with shareholders or affiliates; and</li> <li>● effect a consolidation or merger.</li> </ul> <p>These covenants are subject to a number of important qualifications and exceptions described in the sections entitled “Description of 2020 Notes — Certain Covenants,” “Description of 2021 Notes — Certain Covenants” and “Description of 2022 Notes — Certain Covenants.”</p>

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 the section entitled “Transfer Restrictions.”
Form, denomination and registration . . . . .	The Additional Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depository and registered in the name of a nominee of the common depository.
Book-entry only . . . . .	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see the section entitled “Description of 2020 Notes — Book-Entry; Delivery and Form,” “Description of 2021 Notes — Book-Entry; Delivery and Form” and “Description of 2022 Notes — Book-Entry; Delivery and Form.”
Delivery of the Notes. . . . .	The Company expects to make delivery of the Additional Notes, against payment in same-day funds on or about January 25, 2019, which the Company expects will be the third business day following the date of this offering memorandum referred to as “T+3.” You should note that initial trading of the Additional Notes may be affected by the “T+3” settlement. See the section entitled “Plan of Distribution.”
Trustee . . . . .	Citicorp International Limited.
Collateral Agent . . . . .	Citicorp International Limited.
Paying and Transfer Agent and Registrar . . . . .	Citibank, N.A., London Branch.
Listing . . . . .	The Original Notes are listed on the SGX-ST. Application has been made to the SGX-ST for the listing and quotation of the Additional 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, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.
Ratings . . . . .	The Additional 2020 Notes and the Additional 2022 Notes are expected to be assigned a rating of B2 by Moody’s Investors Service, or Moody’s, and B+ by Fitch Ratings, or Fitch. The Additional 2021 Notes are expected to be assigned a rating of B2 by Moody’s, B by Standard & Poor’s Ratings Services, or S&P, and B+ by Fitch. We have also been assigned a corporate family rating of B1 with a positive outlook by Moody’s, a rating of B+ with a positive outlook by Fitch and a rating of B+ with a positive outlook by S&P. <b>We cannot assure investors that these ratings will not be adversely revised or withdrawn in the future.</b>
Governing law . . . . .	The Additional Notes, the Indentures and the Supplement to the Intercreditor Agreement, are or will be (as the case may 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 Additional Notes, see the section entitled “Risk Factors.”

Security Codes . . . . .	<u>Temporary ISIN</u>	<u>Temporary Common Code</u>	<u>Permanent ISIN</u>	<u>Permanent Common Code</u>
Additional 2020 Notes	XS1941777630	194177763	XS1580430681	158043068
Additional 2021 Notes	XS1941782390	194178239	XS1627599142	162759914
Additional 2022 Notes	XS1941794643	194179464	XS1580431143	158043114

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our summary financial and other data. The summary consolidated financial data as of and for each of the fiscal years ended December 31, 2015, 2016 and 2017 (except for EBITDA data) are derived from our audited consolidated financial statements for the years ended December 31, 2016 and 2017. The summary consolidated financial data as of and for the six months ended June 30, 2017 and 2018 (except for EBITDA data) is derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2018. The summary financial data below should be read in conjunction with our financial statements, including notes thereto, which are not included in the offering memorandum. The unaudited interim consolidated financial information as of and for the six months ended June 30, 2018 should not be taken as an indication of the expected business, financial condition and results of operations for the full year ending December 31, 2018. The Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results in future years.

Our financial information has been prepared and presented in accordance with HKFRS, which differs in certain material respects from GAAP in other jurisdictions.

## Summary Consolidated Statement of Comprehensive Income and Other Financial Data

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
			(unaudited)		(unaudited)	(unaudited)	
			(in millions)				
Revenue . . . . .	133,130	211,444	311,022	47,003	187,981	300,348	45,390
Cost of sales . . . . .	(95,717)	(152,022)	(198,760)	(30,037)	(120,677)	(191,489)	(28,939)
<b>Gross profit . . . . .</b>	<b>37,413</b>	<b>59,422</b>	<b>112,262</b>	<b>16,965</b>	<b>67,304</b>	<b>108,859</b>	<b>16,451</b>
Fair value gains on investment properties . . . . .	12,859	5,124	8,513	1,287	6,001	1,347	204
Other gains . . . . .	323	6,986	(6,022)	(910)	(7,023)	2,471	373
Other income . . . . .	2,262	4,937	5,547	838	2,520	4,395	664
Selling and marketing costs . . . . .	(13,325)	(15,983)	(17,210)	(2,601)	(7,824)	(9,334)	(1,411)
Administrative expenses . . . . .	(6,139)	(9,598)	(12,246)	(1,851)	(5,430)	(6,593)	(996)
Other operating expenses . . . . .	(1,077)	(2,663)	(5,599)	(846)	(2,051)	(3,562)	(538)
<b>Operating profit . . . . .</b>	<b>32,316</b>	<b>48,225</b>	<b>85,245</b>	<b>12,883</b>	<b>53,497</b>	<b>97,583</b>	<b>14,747</b>
Gain on financial assets at fair value through profit or loss . . . . .	2,515	141	(437)	(66)	(266)	(428)	(65)
Fair value gain/(loss) on derivative financial liabilities . . . . .	—	—	(820)	(124)	—	1,203	182
Finance costs . . . . .	(2,994)	(11,301)	(7,917)	(1,196)	(5,151)	(6,219)	(940)
Share of (losses)/profit of investments accounted for using the equity method . . . . .	(392)	(203)	1,402	212	263	1,051	159
<b>Profit before income tax . . . . .</b>	<b>31,445</b>	<b>36,862</b>	<b>77,473</b>	<b>11,708</b>	<b>48,343</b>	<b>93,190</b>	<b>14,083</b>
Income tax expenses . . . . .	(14,105)	(19,245)	(40,424)	(6,109)	(25,216)	(40,164)	(6,070)
<b>Profit for the year/period . . . . .</b>	<b>17,340</b>	<b>17,617</b>	<b>37,049</b>	<b>5,599</b>	<b>23,127</b>	<b>53,026</b>	<b>8,013</b>
<b>Other comprehensive income</b>							
Change in value of available-for-sale financial assets . . . . .	30	(3,039)	2,165	327	2,435	(354)	(53)
Share of other comprehensive income of investments accounted for using the equity method . . . . .	—	(2,688)	2,391	361	2,017	78	12
Currency translation differences . . . . .	—	835	(695)	(105)	(241)	184	28
<b>Total comprehensive income for the year/period . . . . .</b>	<b>17,370</b>	<b>12,725</b>	<b>40,910</b>	<b>6,182</b>	<b>27,338</b>	<b>52,934</b>	<b>8,000</b>
<b>Profit attributable to:</b>							
Shareholders of							
the Company . . . . .	10,460	5,091	24,372	3,683	18,834	30,805	4,655
Holders of perpetual capital instruments . . . . .	5,088	10,646	—	—	—	—	—
Non-controlling interests . . . . .	1,792	1,880	12,677	1,916	4,293	22,221	3,358
	<u>17,340</u>	<u>17,617</u>	<u>37,049</u>	<u>5,599</u>	<u>23,127</u>	<u>53,026</u>	<u>8,013</u>
<b>Total comprehensive income attributable to:</b>							
Shareholders of							
the Company . . . . .	10,490	199	27,432	4,146	22,028	30,777	4,651
Holders of perpetual capital instruments . . . . .	5,088	10,646	—	—	—	—	—
Non-controlling interests . . . . .	1,792	1,880	13,478	2,037	5,310	22,157	3,348
	<u>17,370</u>	<u>12,725</u>	<u>40,910</u>	<u>6,182</u>	<u>27,338</u>	<u>52,934</u>	<u>8,000</u>
Dividends . . . . .	5,262	—	—	—	—	—	—
EBITDA . . . . .	25,083	55,738	92,975	14,051	56,459	113,598	17,167
EBITDA margin . . . . .	18.8%	26.4%	29.9%	29.9%	30.0%	37.8%	37.8%

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*Notes:*

- (1) EBITDA for any period consists of profit from operating activities before fair value gains on investment properties, interest income from non-current receivables, exchange gains/(losses) plus income tax expenses, depreciation, share option amortization, amortization of intangible assets and land use rights and interest expense. 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. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year/period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indentures governing the Notes. Interest expense excludes amounts capitalized. See the sections entitled "Description of 2020 Notes — Definitions," "Description of 2021 Notes — Definitions" and "Description of 2022 Notes — Descriptions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

## Summary Consolidated Balance Sheet Data

	As of December 31,				As of June 30,	
	2015	2016	2017		2018 <sup>(1)</sup>	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(unaudited)	(unaudited)	(unaudited)	(unaudited)
			(in millions)			
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment . . . . .	16,720	20,833	32,898	4,972	35,816	5,413
Land use rights . . . . .	3,625	5,401	7,935	1,199	8,083	1,222
Investment properties . . . . .	97,146	132,045	151,950	22,963	158,582	23,965
Properties under development . . . . .	248	—	—	—	—	—
Trade and other receivables . . . . .	10,730	9,342	4,352	658	1,801	272
Prepayments . . . . .	1,038	2,754	1,202	182	1,506	228
Intangible assets . . . . .	372	241	253	38	275	42
Investment accounted for using the equity method . . . . .	8,580	24,374	30,376	4,591	45,336	6,851
Financial assets at fair value through other comprehensive income . . . . .	—	—	—	—	2,056	311
Available-for-sale financial assets . . . . .	2,595	36,805	4,565	690	—	—
Deferred income tax assets . . . . .	2,752	4,036	3,872	585	3,583	541
Goodwill . . . . .	885	1,402	1,402	212	1,595	241
<b>Total non-current assets . . . . .</b>	<b>144,691</b>	<b>237,233</b>	<b>238,805</b>	<b>36,089</b>	<b>258,633</b>	<b>39,086</b>
<b>Current assets</b>						
Available-for-sale financial assets . . . . .	—	—	1,520	230	—	—
Inventories . . . . .	1,311	230	126	19	—	—
Properties under development . . . . .	329,610	577,851	851,363	128,661	830,414	125,495
Completed properties held for sale . . . . .	54,118	80,776	102,158	15,438	127,643	19,290
Trade and other receivables . . . . .	21,708	76,434	120,782	18,253	130,072	19,657
Contract costs . . . . .	—	—	—	—	1,994	301
Prepayments . . . . .	37,137	62,747	146,923	22,204	151,384	22,878
Income tax recoverable . . . . .	4,131	7,665	9,203	1,391	9,862	1,490
Financial assets at fair value through profit or loss . . . . .	307	3,603	3,150	476	1,942	293
Restricted cash . . . . .	60,932	105,909	135,714	20,510	101,390	15,322
Cash and cash equivalents . . . . .	103,090	198,420	152,008	22,972	156,554	23,659
<b>Total current assets . . . . .</b>	<b>612,344</b>	<b>1,113,635</b>	<b>1,522,947</b>	<b>230,153</b>	<b>1,511,255</b>	<b>228,386</b>
<b>Total assets . . . . .</b>	<b>757,035</b>	<b>1,350,868</b>	<b>1,761,752</b>	<b>266,242</b>	<b>1,769,888</b>	<b>267,472</b>
<b>EQUITY</b>						
<b>Capital and reserves attributable to shareholders of the Company</b>						
Share capital and premium . . . . .	971	1,006	1,270	192	1,312	198
Reserves . . . . .	7,637	4,739	57,292	8,658	58,087	8,778
Retained earnings . . . . .	42,398	38,495	56,210	8,495	86,368	13,052
Perpetual capital instruments . . . . .	51,006	44,240	114,772	17,345	145,767	22,029
Non-controlling interests . . . . .	75,737	112,944	—	—	—	—
<b>Total equity . . . . .</b>	<b>142,142</b>	<b>192,532</b>	<b>242,208</b>	<b>36,603</b>	<b>324,526</b>	<b>49,044</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Borrowings . . . . .	138,162	332,164	376,244	56,859	372,678	56,320
Financial derivative liabilities . . . . .	—	—	2,840	429	5,090	769
Other payables . . . . .	2,481	54,354	4,049	612	1,025	155
Deferred income tax liabilities . . . . .	17,569	38,424	51,556	7,791	47,972	7,250
<b>Total non-current liabilities . . . . .</b>	<b>158,212</b>	<b>424,942</b>	<b>434,689</b>	<b>65,692</b>	<b>426,765</b>	<b>64,494</b>
<b>Current liabilities</b>						
Borrowings . . . . .	158,744	202,906	356,381	53,858	298,451	45,103
Trade and other payables . . . . .	191,309	299,905	399,459	60,368	454,410	68,672
Contract liabilities . . . . .	—	—	—	—	176,531	26,678
Receipt in advance from customers . . . . .	83,061	194,961	267,555	40,434	—	—
Current income tax liabilities . . . . .	23,567	35,622	61,460	9,288	89,205	13,481
<b>Total current liabilities . . . . .</b>	<b>456,681</b>	<b>733,394</b>	<b>1,084,855</b>	<b>163,947</b>	<b>1,018,597</b>	<b>153,934</b>
<b>Total liabilities . . . . .</b>	<b>614,893</b>	<b>1,158,336</b>	<b>1,519,544</b>	<b>229,639</b>	<b>1,445,362</b>	<b>218,428</b>
<b>Total equity and liabilities . . . . .</b>	<b>757,035</b>	<b>1,350,868</b>	<b>1,761,752</b>	<b>266,242</b>	<b>1,769,888</b>	<b>267,472</b>
<b>Net current assets . . . . .</b>	<b>155,663</b>	<b>380,241</b>	<b>438,092</b>	<b>66,206</b>	<b>492,658</b>	<b>74,452</b>
<b>Total assets less current liabilities . . . . .</b>	<b>300,354</b>	<b>617,474</b>	<b>676,897</b>	<b>102,295</b>	<b>751,291</b>	<b>113,538</b>

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*Note:*

- (1) In preparing the unaudited condensed consolidated interim financial information for the six months ended June 30, 2018, the Group has adopted HKFRS 9 and HKFRS 15 with effect from January 1, 2018 and has not restated prior years' consolidated financial statements. Therefore, the unaudited condensed consolidated interim financial information for the six months ended June 30, 2018 is not comparable with the consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017. For the impact of the adoption of HKFRS 9 and HKFRS 15, please refer to Note 4 to the unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2018 included elsewhere in this offering memorandum.

## 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 any 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**

***Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector.***

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, and impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. As the residential property prices in certain cities in China rose rapidly in recent years, in order to prevent the overheating of the property market and the possible formation of a speculative bubble, the PRC government introduced a series of regulatory measures in an effort to stabilize the real estate market and facilitate its sustainable development, including raising the down payment ratio and residential mortgage loan interest rate, limiting the number of houses that a single household may purchase, increasing the supply of affordable housing to low- and middle-income families, increasing the supply of public housing to targeted populations, restricting foreign investments in properties in China, abolishing the preferential business tax treatment on transfer of ordinary housing within five years and launching new property tax schemes in certain cities. 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. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. For instance, the PRC government has reformed regulations replacing the business tax regime, which is levied on the total revenue of the company, with a value-added tax system, which assesses increments of new value created by the company, for the real estate sector in 2016 as part of China's major overhaul of its tax structure. In addition, the PRC government may impose a countrywide real estate tax in the future. We are not sure when or whether such tax reforms will be imposed and neither can we assess the adverse impact of such new tax policies on our business operations and financial results. If we fail to adapt our operations to such new policies, regulations and measures that may come into effect from time to time, our business prospects, results of operations and financial condition may be materially and adversely affected.

You should read the various risk factors under the section entitled “— Risks Relating to the Property Industry in China” below for more risks and uncertainties relating to the extensive PRC regulations.



***We are highly dependent on the performance of the residential property markets in China, particularly in the regions where we have or will have operations.***

Our business and prospects depend on the performance of the PRC residential property markets. Any housing market downturn in China generally or in the regions where we operate could adversely affect our business, results of operations and financial condition. As of June 30, 2018, we had 822 properties under development or held for future development across China located in 228 cities. As of June 30, 2018, based on our GFA under development or held for future development, Guangdong Province constituted our largest regional property market in China. Over-concentration of our properties under development within any particular city or region, such as Guangdong Province, during any protracted period of time may expose us to more regional risks. Any adverse developments in regional economies where we have significant operations could have a material adverse effect on our results of operations and financial condition.

The market experienced fluctuations in property prices during the past few years. There have been increasing concerns over housing affordability and sustainability of market growth. In addition, demand for properties in China has been adversely affected and will continue to be so affected by the macro-economic control measures implemented by the PRC government and the recent and potential future global economic downturns. You may find more detailed risk factors relating to the PRC government control measures in the property sector in the section entitled “— Risks Relating to the Property Industry in China,” especially under “— The PRC government may adopt further measures to slow down growth in the property sector.” We cannot assure you that the demand for new residential properties in geographical locations where we have or will have operations will continue to grow in the future or that there will not be over-development or market downturn in the domestic residential property sector. Any such adverse development and the ensuing decline in property sales or decrease in property prices in China may materially and adversely affect our business and financial condition.

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

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global financial markets and tightening of liquidity in global credit markets. Since 2011, the tightening monetary policies and high inflation in the PRC, global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas financial markets. While it is difficult to predict how long these conditions will exist and the extent to which we may be affected, these developments may continue to present risks to our business operations for an extended period of time, including increase in interest expenses on our bank borrowings, or reduction in the amount of banking facilities currently available to us. In June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union (“**Brexit**”). A process of negotiation will determine the future terms of the United Kingdom’s relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union’s free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China’s economic growth may slow due

to weakened exports and nationwide structural reforms. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years.

These and other issues resulting from the global economic slowdown or uncertainty and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our access to capital and liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, our business, financial condition and results of operations may be adversely affected.

***We face risks associated with the Proposed Reorganization and Strategic Investments.***

In 2016, we announced the Proposed Reorganization and related Strategic Investments. For more information see “Summary — Proposed Reorganization and Strategic Investments.”

The Proposed Reorganization and Strategic Investments involve a number of risks, including without limitation the following:

- uncertainty over whether the Proposed Reorganization can be consummated in a timely manner, or at all;
- we may be unable to satisfy certain undertakings in the Reorganization Agreement which could result in the payment of compensation or other adverse consequences;
- we may not be able to satisfy the Performance Undertaking Amount and distribute in which case we could be required to compensate the Strategic Investors;
- risks associated with the ability of our PRC subsidiaries to pay dividends to fund our cash and financing requirements and/or to provide onshore guarantees or security for offshore credit (*nei bao wai dai*) (see “— We rely principally on dividends paid by, and guarantees or security provided by, our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us or provide guarantees or security for our benefit could have a material adverse effect on our ability to conduct our business”);
- if we fail to complete the Proposed Reorganization by January 31, 2021, we could be required to repurchase the Hengda Real Estate equity owned by Strategic Investors and/or issue them additional equity; and
- risks generally associated with acquisitions including those described in “— Our growth strategy includes growth via acquisitions which entail risks.”

We cannot assure you that we will be able to successfully complete the Proposed Reorganization or that the Proposed Reorganization and Strategic Investments will perform as planned or prove to be beneficial to our operations and cash flow. Each of these factors may have a material effect on our business, results of operations, financial condition and prospect.

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

If we are unable to comply with the restrictions and covenants in the Existing Indentures or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. For example, some of the instruments in which the Company is a guarantor require the lending bank's prior consent before the Company can pledge or dispose of part or all of its material assets. We believe that we have obtained all necessary consents for pledging or disposing of our material assets, but we cannot assure you that the lending banks will have the same view. 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 Existing Indentures, 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 the Existing Notes, or result in a default under our other debt agreements, including the Existing Indentures and certain other loan agreements containing cross-default provisions. From time to time, we may have defaulted under certain of our facilities, which may in turn trigger the cross-default provisions under our other facilities, and we may be required to work with our lenders to obtain consents and waivers with respect to these defaults and cross-defaults. We cannot assure you that a default or cross-default will not exist at any time or can be cured on time or at all. If any cross-default is triggered or any of the other defaults occurs and the relevant indebtedness is accelerated, which may in turn cause an acceleration of repayment of the Notes and the Existing Notes, 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.

***We have substantial indebtedness and a deterioration of our cash flow position could materially and adversely affect our ability to service our indebtedness and to continue our operations.***

We maintain a significant level of indebtedness to finance our operations. As of December 31, 2015, 2016, 2017 and June 30, 2018, our aggregate outstanding borrowings were RMB296,906 million, RMB535,070 million, RMB732,625 million (US\$110,717 million) and RMB671,129 million (US\$101,423 million), respectively. Our total borrowings described above do not include our guarantees or indemnity obligations in respect of mortgage facilities for certain purchasers of our property units of approximately RMB141,591 million, RMB252,128 million, RMB344,026 million and RMB349,975 million (US\$52,889 million) as of December 31, 2015, 2016, 2017 and June 30, 2018, respectively. Also, our total borrowings do not include our guarantees for borrowings of independent third parties having continuous business relationship with us, which is approximately RMB3,448 million, RMB6,056 million, RMB10,200 million (US\$1,541 million) and RMB11,651 million (US\$1,761 million) as of December 31, 2015, 2016, 2017 and June 30, 2018, respectively. Out of our total borrowings of RMB671,129 million (US\$101,423 million) as of June 30, 2018, approximately 44.5% was due within a period not exceeding one year, approximately 50.0% was due within a period of more than one year but not exceeding five years, and approximately 5.5% was due within a period of more than five years. Subsequent to June 30, 2018 and up to January 18, 2018, we incurred additional borrowings (net of repayments) in the aggregate amount of less than RMB30 billion. See "Description of Material Indebtedness and Other Obligations." We have incurred and will continue to incur a significant amount of interest expense in relation to our bank and other borrowings, the Existing Notes, the Notes and other financing arrangements. Most of this interest expense has been or will be capitalized as a part of the properties under development rather than being recorded as expense in our income statement upon their incurrence. Accordingly, such capitalized interest expenses may adversely affect our gross profit margin upon recognition of the sales of the relevant properties in future periods.

We also recorded net operating cash outflow for the three years ended December 31, 2015, 2016 and 2017. The PRC governmental policies in the property sector will continue to exert pressure on our operating cash flow. The PRC government requires that a land grant contract be entered into within 10 working days after the closing of the land grant, and that the down-payment of 50% of the land premium be paid within one month of signing the land grant contract, with the remaining to be paid in full according to the terms and conditions of the land grant contract and under all circumstances within one year of the date of land grant contract. We cannot assure you that we will be able to generate sufficient cash flow from operations to support the repayment of our current indebtedness. Some of our financing arrangements also contain provisions that the relevant lender has an overriding right to demand repayment at any time. If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due or upon the demand of the relevant lenders before the due date of the relevant financing arrangements, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and our business prospects may be materially and adversely affected.

In addition, some of our financing arrangements contain provisions that may not work to our advantage if we encounter difficulties in servicing our debt obligations. For example, the Existing Indentures define “events of default” in a broad manner and contain cross-default provisions that will make a default under one debt a default under the other debt, including the Notes. You may find additional information relating to “events of default” under the Notes in the section entitled “Terms and Conditions of the Notes.”

We cannot assure you that we will be able to maintain the relevant financial ratios under our financing agreements from time to time and that will not default. If we are unable to obtain forbearance or waiver arrangements with the relevant lenders and upon occurrence of any default, event of default or cross-default in the future, this could lead to, among other things, an acceleration in our debt obligations, which could in turn have a material adverse effect on our financial condition. See “— If we are unable to comply with the restrictions and covenants in our debt agreements or the Existing Indentures, there could be a default under the terms of these agreements or the Existing Indentures, which could cause repayment of our debt to be accelerated.”

***We rely principally on dividends paid by, and guarantees or security provided by, our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us or provide guarantees or security for our benefit could have a material adverse effect on our ability to conduct our business.***

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we incur and to pay any dividend we declare. If any of our subsidiaries incurs debt in its own name, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. Currently, some of the instruments governing the debt for our PRC subsidiaries contain restrictions that require our PRC subsidiaries to obtain the lending banks’ approval prior to distributing any dividends. Such restrictions may adversely affect the calculation of our Consolidated EBITDA, and in turn our ability to undertake additional financing, investment or other transactions under the terms of the Notes. In addition, the shares and assets, including dividends derived from these shares, of certain of our subsidiaries are pledged to secure some of our indebtedness. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries on a combined basis only out of their retained earnings, if any, determined in accordance with the PRC accounting standards.

Our ownership interest in Hengda Real Estate, which holds the Target Assets, was reduced from 100% to 63.46% following the Strategic Investments and our beneficial ownership interest in the Target Assets will be further reduced if the Proposed Reorganization is completed. After such time, our proportional interest in any dividends paid by Hengda Real Estate will be reduced. Furthermore, any dividend payments on the Target Assets through its new holding company, Shenzhen Real Estate, may be subject to restrictions or limitations imposed by, or be required to obtain approvals pursuant to, its charter or organizational documents, relevant laws and regulations and/or the Shenzhen Stock Exchange. In addition, as a listed company in the PRC, Shenzhen Real Estate and its subsidiaries may be subject to restrictions on providing onshore guarantees or security for offshore credit (*nei bao wai dai*), which we use to fund also use to fund our offshore cash and financing requirements. On April 12, 2017, Hengda Real Estate and its related subsidiaries entered into ten project agreements pursuant to which the Fund Manager will invest RMB10.9 billion in Hengda Real Estate and its related subsidiaries on the project level. Furthermore, pursuant to the terms of the Investment Agreements, Hengda Real Estate is required to distribute at least 68% of its net profit for each of the financial years in the Relevant Period to its shareholders, and if the net profit of Hengda Real Estate for a financial year in the Relevant Period is less than the Performance Undertaking Amount for that financial year, the proportional dividend to be paid by Hengda Real Estate to the Investors will be adjusted upward. In addition, if the Proposed Reorganization is not completed by January 31, 2021, the Investors and any additional investors in Hengda Real Estate will have the right to request Kailong Real Estate to either repurchase their equity interest at the original investment cost or transfer shares in Hengda Real Estate to them without consideration, which could reduce our proportional interest in dividends paid by Hengda Real Estate and negatively affect our liquidity. See “Summary — Proposed Reorganization and Strategic Investment.”

Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC subsidiaries combined may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our debts or otherwise fund and conduct our business. Under the PRC Enterprise Income Tax Law and its implementation regulations, PRC income tax at the rate of 10% is applicable to dividends paid by PRC enterprises from their earnings derived since January 1, 2008 to “non-resident enterprises” (non-PRC enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) subject to any lower withholding tax rate as may be contained in any applicable income tax treaty or agreement that China has entered into with the government of the jurisdiction where such “non-resident enterprises” were incorporated. Provided that we or our non-PRC subsidiaries are considered “non-resident enterprises” under the PRC tax law, any dividend that we or any such non-PRC subsidiary receive from our PRC subsidiaries will be subject to PRC taxation at the 10% rate unless any lower treaty rate is applicable.

***We may not have adequate financing to fund our land acquisitions and property developments.***

Property development is capital intensive. We have financed our property projects primarily through our shareholders’ contributions, bank and other borrowings, pre-sale proceeds of properties under development, proceeds from the sale of completed properties, funds raised from the capital markets such as our issuance of the Existing Notes and share placements. Our ability to obtain adequate financing for land acquisition and property development on terms which will allow us to achieve a reasonable return is dependent on a number of factors that are beyond our control, such as general economic conditions, our financial strength and performance, credit availability from financial institutions, cost of borrowing, as well as monetary policies in China and PRC regulations relating to the property sector. We cannot assure you that we will always be able to meet our sales target or the PRC government will not limit our access to capital, our flexibility and ability to use bank loans or other forms of financing to finance our property development. In November 2009, the PRC government



raised the minimum down-payment of land premium to 50%. In March 2010, the PRC government further tightened this requirement by setting the minimum land premium at no less than 70% of the prevailing price at the locality of the land parcel granted, and the bidding deposit at not less than 20% of such minimum land premium. Currently, the PRC government requires that a land grant contract must be entered into within 10 working days after the closing of the land grant, and the down-payment of 50% of the land premium must be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract. Such change in policy may constrain our cash otherwise available for additional land acquisition and construction. The PRC government could also introduce other initiatives that may further limit our access to capital, and/or consequently reduce our flexibility and ability to use bank loans or other forms of financing to finance our acquisitions and property developments, such as restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties, prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans, and forbidding property developers from using borrowings obtained from any local banks to fund property developments outside that local region. In addition, in April 2010, the State Council of the PRC (中華人民共和國國務院), or the State Council, issued the Notice on Resolutely Curbing the Excessive Hike of Property Prices in Some Cities 《國務院關於堅決遏制部分城市房價過快上漲的通知》, which mandates that developers who hold idle land or speculate in land will not be granted bank loans for the development of new property projects. In September 2010, People's Bank of China (中國人民銀行), the central bank of China, or the PBOC, and China Banking Regulatory Commission (中國銀行業監督管理委員會), or the CBRC, jointly issued a notice to prohibit banks from lending to any property developer for its new projects or renewal of its existing loans if such developer has a track record of maintaining idle land, changing the use and nature of land without proper approval, delaying the construction commencement or completion date, hoarding properties or other non-compliance. We cannot assure you that we will be able to secure adequate financing to fund our land acquisitions (including any unpaid land premium for past acquisitions), to finance our project construction or to renew our existing credit facilities prior to their expiration. If we are unable to secure adequate financing, or if the PRC government adopts further restrictive credit policies in the future, this may materially and adversely affect our business, financial condition and results of operations.

***Changes in interest rates may increase our financing costs.***

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. The benchmark one-year bank lending rates published by the PBOC for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 were 4.35%. Interest expenses of borrowings we incurred in the years ended, 2015, 2016, 2017 and the six months ended June 30, 2018 were RMB20,295 million, RMB31,668 million, RMB52,779 million (US\$7,976 million) and RMB29,177 million (US\$4,409 million), respectively. On July 20, 2013, pursuant to the Notice on Further Promoting the Market-oriented Interest Rate Reform 《中國人民銀行關於進一步推進利率市場化改革的通知》, the PBOC abolished the regulation of the benchmark lending rates for financial institutions and began allowing lending rates to be determined by financial institutions pursuant to market principles. We cannot assure you that financial institutions will not raise lending rates or that interest rates for U.S. dollar loans will not fluctuate significantly, and we cannot assure you that the PBOC will not take more stringent measures to increase the rates in the future. We have also not hedged against any of our interest rate exposure. Any further increase in these rates will increase our financing cost and may materially and adversely affect our business, financial condition and results of operations.

***We may not always be able to obtain land reserves that are suitable for our future property development.***

We derive our revenue principally from the sale of properties that we have developed. To have a steady stream of developed properties available for sale and continuous growth in the long term, we need to replenish and increase our land reserves that are suitable for development. We acquire land primarily through government-organized auction and the listing-for-sale process, and by acquiring equity

interests in project companies that hold land use rights and by participating in the PRC government's redevelopment policies programs. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control, such as the overall economic conditions, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. The availability of substantially all of the land in China is controlled by the PRC government. Thus the PRC government's land policies have a direct impact on our ability to acquire land use rights for development and our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers.

In March 2010, the PRC Ministry of Land and Resources issued the Circular on Strengthening Real Estate Land Supply and Supervision 《關於加強房地產用地供應和監管有關問題的通知》, under which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (including any deposits previously paid) as a down-payment within one month of signing a land grant contract and pay the remaining land premium in full within one year from the date of the land grant contract. In addition, in September 2010, the PRC Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), formerly known as PRC Ministry of Construction (中華人民共和國建設部), or MOHURD, issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction 《關於進一步加強房地產用地和建設管理調控的通知》, which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of any parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1.0. In addition, a property developer and its shareholders will be prohibited from participating in any bidding to acquire additional land until any illegal behavior in which it has engaged, such as leaving its land idle for more than one year, has been completely rectified.

On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land 《閒置土地處置辦法》, which provide that, if any land parcel constitutes "idle land" due to government-related action, the holder of the relevant land use rights is required to explain to the relevant municipality or county-level land administrative department(s) the reasons for the land becoming idle, consult the relevant governmental authorities and rectify the situation accordingly.

The means of rectification include the extension of the period permitted for commencing development, the adjustment of the land use and planning conditions, and the substitution of the relevant idle land parcels with other land parcels.

On November 5, 2012, the Ministry of Land and Resources, the PRC Ministry of Finance, the PBOC and the CBRC jointly promulgated the Notice on Strengthening Land Reserves and Financing Administration 《關於加強土地儲備與融資管理的通知》 in order to strengthen land bank administration, determine the reasonable scale and structure of land bank, strengthen the administration of land pre-development, reservation and protection, and regulate the financing of land reservation and the use of land reservation funds.

On February 2, 2016, the Ministry of Land and Resources, the MOF, the PBOC and the CBRC jointly promulgated the Circular on Issues Concerning the Standardization of Land Reserve and Fund Management 《關於規範土地儲備和資金管理等相關問題的通知》 in order to further standardize land reserve behaviors and adjust financing methods for land reservation.



On April 1, 2017, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly promulgated the Circular on Recently Tightening the Management and Control over Residential Properties and Land Supply (關於加強近期住房及用地供應管理調控有關工作的通知), which stipulated, among other things, (i) the scale, structure and time sequence of housing land supply will be adjusted in due time according to the commercial housing inventory cycle, and the supply of land (a) with the inventory cycle of more than 36 months shall be suspended, (b) with the inventory cycle of 18 to 36 months shall be reduced, (c) with the inventory cycle of six to 12 months shall be increased, and (d) with the inventory cycle of less than six months shall be increased and accelerated; (ii) the local authority will build a fund inspection system to ensure that the real estate developers use own legal funds to acquire land use right; and (iii) the local bidding system of the land use right shall be determined in a flexible manner, according to the local actual status and specific conditions of land.

The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital.

If we fail to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, our prospects and competitive position may be adversely affected and our business strategies, growth potential and performance may be materially and adversely affected.

***We may forfeit land to the PRC government if we fail to comply with the terms of the land grant contracts.***

Under PRC laws, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, specified usage of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty and/or liquidated damages, and/or order us to forfeit the land. Under the current PRC laws and regulations, if we fail to pay any outstanding land premium by the stipulated deadline, we may be subject to a late payment penalty calculated on a per-day basis. As of June 30, 2018, we had outstanding land premiums with respect to a small number of projects which we had not paid based on the underlying land grant contracts. We have obtained the relevant local governments' approvals to either extend the payment of the outstanding land premiums or pay such outstanding land premiums in installments, except for several projects that we are in discussions with the relevant local governments regarding their potential re-zoning plans. We cannot assure you that we will be able to secure similar government approvals if we fail to pay land premiums in the future. Currently, the PRC government requires that a land grant contract must be entered into within 10 working days after the closing of the land grant, and the down-payment of 50% of the land premium must be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of land grant contract. Such policies may materially and adversely affect our ability to make timely payment of land premiums.

In addition, if we fail to commence development of a property project within the stipulated period as required under the current PRC laws without the approval from the relevant PRC land authorities, the relevant PRC land bureau may serve a warning notice on us and impose idle land fees up to 20% of the land premium unless such failure is caused by a government action or a force majeure event. The Notice on Promoting Economization of Land Use 《關於促進節約集約用地的通知》 issued by the State Council in January 2008 further confirmed the idle land fee at 20% of the land premium. If we fail to commence such development for more than two years, the land is subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Even if the commencement of the land development complies with the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than 25% of the total investment of the project and the suspension of the development of the land is more than one year without government approval, the land will still be treated as idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land 《關於嚴格建設用地管理促進批而未用土地利用的通知》 in August 2009, which reiterates the current rules regarding idle land. In September 2010, the

Ministry of Land and Resources and the MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction 《關於進一步加強房地產用地和建設管理調控的通知》, which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behavior in which it engages, such as (1) having land idle for more than one year due to its own reasons; (2) illegal transfer of land use rights; (3) noncompliance with the land development requirements specified in a land grant contract; and (4) crimes such as taking land by forging official documents and illegal land speculation, has been completely rectified. We cannot assure you that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are required to pay substantial idle land fees, our results of operations and our reputation may be adversely affected. If we forfeit land, we will not only lose the opportunity to develop the property projects on such land, but may also lose all our investments in the land, including land premiums paid and development costs incurred.

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

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to any breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We cannot assure you that we will not experience delays in completion and delivery of our projects, which may have a material adverse effect on our business, financial condition and results of operations.

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

Substantially all of the purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential properties. In addition, the PRC government and commercial banks may increase the down-payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive or less available or less attractive to potential property purchasers.

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

For commercial property buyers, PRC banks are not allowed to finance the purchase of any pre-sold properties. The minimum down-payment for commercial property buyers has been increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark one-year bank lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had

affected the demand in the property market in general. Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou and Hangzhou have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. Our business, financial condition and results of operations may therefore be adversely affected. Property purchasers in the PRC have been and will continue to be affected by these regulations and their amendments as may be made thereto from time to time.

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

In addition, in line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until the relevant property and the individual property ownership certificates with respect to the relevant properties are issued to our purchasers and the mortgage registrations for the relevant properties have been completed. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and the banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would materially and adversely affect our cash flow, financial condition and results of operations.

***Intensified competition might adversely affect our business and our financial position.***

In recent years, many property developers, including overseas developers and State-owned developers have aggressively competed in the PRC property development market, including in Guangdong Province and other regions of China where we have operations. Competition among property developers may cause an increase in land premiums and raw material costs, shortages in quality construction contractors, a surplus in property supply leading to decreasing property prices, further delays in the issue of government approvals and higher costs to attract or retain talented employees.

Moreover, residential property markets across China are influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiment. If we fail to compete effectively or to adapt to the changes in market conditions, our business operations and financial condition will be materially and adversely affected.

***Potential liability for environmental damages could result in substantial outflow of our resources.***

We are subject to a variety of laws and regulations concerning the protection of health and environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Efforts taken to comply with environmental laws and regulations or address issues raised during environmental audits may result in delays in development, cause us to incur substantial compliance costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. We cannot predict the impact of unforeseeable environmental contingencies on new or changed laws or regulations on our existing projects or properties that we may develop in the future.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and we are required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencement of its construction. According to the PRC Environment Impact Assessment Law 《中華人民共和國環境影響評價法》 as amended on July 2, 2016 and December 29, 2018, the intensity of environmental supervision and law enforcement has increased. If a real estate developer required to submit an environmental impact assessment report or an environmental impact analysis table has not obtained the approval from the relevant governmental authorities before commencement of the construction, more severe punishment will be imposed on the developer, including a fine equal to 1% to 5% of the total investment amount of the project, and an order to restore the original conditions before the construction. In addition, the relevant environmental authorities have the right to conduct environmental audits on any projects. We are from time to time subject to environmental audits by relevant government authorities on our projects. Although the environmental audits conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that there are potential material environmental liabilities that we do not expect, including but not limited to penalties or temporary suspension of the project development. In addition, we cannot ensure that our operations will not result in environmental liabilities or that our contractors will not violate any environmental laws and regulations in their operations that may be attributed to us. You should refer to the section entitled “Business — Environmental and Safety Matters” for more information in respect of environmental matters.

***We may not be able to execute our contemplated expansion plan successfully.***

As of June 30, 2018, we had 822 properties under development or held for future development with an estimated total planned GFA of 305 million sq.m. in 228 strategically selected cities across 31 provinces and municipalities in China. We may also continue to explore the feasibility of expanding our operations into other cities or some overseas markets. Although our planned projects are carefully chosen after rounds of screening, review and deliberation, such large-scale and rapid expansion has placed and may continue to place a substantial strain on our managerial and financial resources. The rapid increase in the volume of our developments brought by such expansion has also presented and may continue to present challenges in terms of project construction and delivery management. Although we have formulated a standardized operational model to facilitate the management of our projects nationwide, any failure to follow our standards or inconsistencies in our compliance across different geographical regions in China or outside China, should we wish to expand into other markets, may negatively impact our reputation and damage our brand. In addition, any failure in effectively managing our large volume of developments within a short period of time may adversely affect our ability to deliver properties to our buyers in a timely manner and harm our reputation and our growth prospects. Also, our expansion plans are based on our forward-looking assessment of the market prospects. We cannot assure you that our market assessment will turn out to be accurate, or that we will be able to execute our contemplated expansion plan successfully or that we will succeed in integrating our expanded operations despite our standardized operational model. We cannot assure you that we will be able to effectively manage our rapid expansion or that our expanded operations will generate adequate returns on our investments or positive operating cash flows. Any failure in effectively managing our expanded operations may materially and adversely affect our business prospects, results of operations and financial condition.

***We have limited experience in hotel management and our results in this segment may be adversely affected by our inexperience.***

Certain residential projects that we have developed or will develop include upscale hotels and other ancillary commercial facilities, such as our Hotel Evergrande within Evergrande Royal Scenic Peninsula in Foshan, Hotel Evergrande in Evergrande Splendor Chongqing, Hotel Evergrande in Evergrande Scenic Garden Zengcheng Guangzhou, Hotel Evergrande in Evergrande Splendor Qingyuan and Hotel Evergrande in Evergrande Splendor Tianjin. We believe our hotel management business

primarily serves as a value enhancer to our brand and an organic component of our overall residential property market strategy. Our experience in hotel management is limited and we cannot assure you that we will be able to successfully leverage our experience in residential property development to meet challenges in the hotel management business. We currently manage the 12 hotels mentioned above through our own hotel management teams and may engage hotel management companies to manage the others upon the completion of their construction. We cannot assure you that we will be able to procure the services of professional hotel management companies for such projects. We could face considerable reputational and financial risks if such hotels are mismanaged or do not meet the expectations of our residential, business and other customers. Additionally, we cannot assure you that there will be sufficient demand for such hotel facilities in the localities of these properties. If we fail in our efforts in such hotel business, our financial condition and results of operations will be adversely affected.

***Our growth strategy includes growth via acquisitions which entail risks.***

Since 2013, we have expanded our operations through acquisitions of businesses in tourism and culture, healthcare, new energy vehicle, high technology as well as banking and insurance industries. For more information, see the section entitled “Business — Other Business.” Going forward, we plan to continue pursuing business expansions through strategic acquisitions.

Acquisitions involve a number of risks, including the following:

- uncertainty in the success of our acquired businesses;
- unrevealed potential liabilities or risks associated with the acquired businesses;
- difficulty in integrating the operations, personnel, information system and other aspects of the acquired businesses into our operations or realizing any expected cost savings or other synergies from the acquisitions;
- difficulty in maintaining uniform standards, controls, procedures and policies;
- distraction of our management’s time;
- difficulty in retaining employees and customers and integrating customer base;
- higher than planned requirements to preserve and grow the value of the acquired businesses or assets; and
- adverse effects on our results of operations due to the amortization of and potential impairment provision for goodwill or other intangible assets associated with acquisitions, and losses sustained by the acquired businesses after the relevant date of acquisition.

We may not be able to continue to identify any target of strategic acquisitions that is complementary to our business. Even if we identify such target, we cannot assure you that we will be able to obtain the necessary financing for the acquisition or acquire such target on terms and conditions acceptable to us. In addition, the anticipated future expansion of our operations through acquisitions will place a significant strain on our management, internal controls and information technology systems and resources, and could also result in additional expenditure. In addition to training, managing and integrating our workforce, we will need to continue to develop and improve our management and financial control. We cannot assure you that we will be able to successfully integrate any acquisitions that we undertake or that such acquisitions will perform as planned or prove to be beneficial to our operations and cash flow. Each of these factors may have a material effect on our business, results of operations, financial condition and prospect.



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

We have taken significant initiatives or made investments to expand into industries including tourism and culture, healthcare, new energy vehicle, high technology as well as banking and insurance with a view to establishing alternative revenue sources. For more information, see the section entitled “Business — Other Business.” There is no assurance that we can leverage our experience in the property industry and replicate our success in other industries.

Our expansion in general will require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment or market, navigating different regulatory regimes or obtaining necessary governmental approvals, difficulties in gaining market recognition or competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, ability to develop the necessary technology or know-how for the new businesses, and the diversion of resources and attention of our management. In addition, since the business model of these new industries vary a lot with our property segment and we have limited experiences in these industries, our expansion into such new industries may not be sustained and may need to rely on continuous financial support within the Group.

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

***Our land appreciation tax provisions and prepayments may not be sufficient to meet our LAT obligations.***

In accordance with the current PRC laws and regulations on land appreciation tax, or LAT, all persons, including companies and individuals, that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, with certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the deductible items as defined in the relevant LAT regulations. Pursuant to the relevant rules issued by the State Administration of Taxation of China (中華人民共和國國家稅務總局), or SAT, LAT obligations must be settled with the relevant tax bureaus within specific timeframes subsequent to the delivery of the completed projects. Accordingly, we have settled LAT payments on our four completed property projects in China that are subject to LAT settlement.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we made LAT provisions in the amount of RMB5,916 million, RMB8,824 million, RMB18,151 million (US\$2,743 million) and RMB17,962 million (US\$2,714 million), respectively. In May 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax 《關於加強土地增值稅徵管工作的通知》 which requires that the minimum LAT prepayment rate be at 2% for provinces in the eastern region of China, 1.5% for provinces in the central and northeastern regions of China and 1% for provinces in the western region of China. According to the notice, the local tax bureaus will determine the applicable LAT prepayment rates based on the types of the properties. However, there are uncertainties in the interpretation and implementation of the LAT regulations and the relevant tax authorities may change their requirements as to the amount or timing of payment of provisional LAT. Although we believe we have made sufficient prepayments and/or provisions for LAT in compliance with PRC laws and regulations as interpreted by local tax authorities, we cannot assure you that our LAT prepayments and provisions will be sufficient to cover our LAT liabilities and that the relevant tax authorities will agree with the basis on which we calculated our LAT liabilities. Our results of

operations, cash flow and financial condition may be materially and adversely affected if our LAT liabilities, as finally determined by the relevant tax authorities, are substantially higher than our LAT provisions and prepayments.

***Our success depends on the continuing services of our key management members.***

We depend on the services provided by our senior management and other skilled and experienced key staff members, in particular, our chairman, Dr. Hui, and our other executive officers. Most of them have more than 10 years of experience in the PRC property markets and have in-depth knowledge of various aspects of the property development. As competition for experienced managerial talents and skilled personnel in the property development market is intense and the pool of qualified candidates is limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. We cannot assure you that Dr. Hui or our other executive officers or members of our key staff are willing and able to continue in their present positions. The loss of the services of our senior management or other key personnel and failure to find qualified replacements could disrupt and adversely affect our operations. Any negative news regarding our senior management team may also adversely affect our reputation or business. Moreover, along with our rapid growth and expansion into other regional markets in China, we will need to hire and retain skilled managers to lead and manage our regional operations. If we cannot attract and retain qualified personnel, our business and future growth may be adversely affected.

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

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of a property project may take many months or several years before it generates positive cash flow through pre-sales or sales. Meanwhile, the progress and cost for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions; and
- changes in city zoning, planning and plot ratios.

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 results of operations and financial position 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.



***Our business will be adversely affected if we fail to obtain, or experience material delays in obtaining, necessary governmental approvals for any major property development.***

Real estate markets in China are strictly regulated by the PRC government. Property developers must comply with various laws and regulations of the PRC government, including rules issued by local governments to enforce these laws and regulations. To develop and complete a property project, we must apply for various licenses, permits, certificates and approvals, including land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion, at the relevant government departments. Before the government issues any certificate or permit, we must first meet specific conditions. We cannot assure you that we will not encounter serious delays or other difficulties in fulfilling such conditions, or that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. In the event that we fail to obtain, or encounter significant delays in obtaining, the necessary governmental approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations will be adversely affected.

***Our failure to meet all requirements for the issue of property ownership certificates may lead to compensatory liability to our customers.***

According to PRC law, property developers must meet various requirements within 90 days after delivery of property or such other time period provided in sales contracts for the customers to apply for property ownership certificates, including passing various governmental clearances, formalities and procedures. We usually stipulate the delivery dates in our sales contracts so as to leave sufficient time for us to complete the formalities and obtain the relevant approvals. However, we cannot assure you that there will not be delays in our property development. There may also be factors beyond our control that may delay the delivery of property ownership certificates, including a shortage in human resources at various governmental offices and time-consuming inspections and approval processes at various government agencies. Under current PRC laws and regulations and under our sales contracts, we are required to compensate our customers for delays in our deliveries. If our delay extends beyond a specified period, our customers are also entitled to terminate the sales contracts. We cannot assure you that we will be able to timely deliver all property ownership certificates in the future or that we will not be subject to any liabilities as a result of any delays in delivery of property ownership certificates. In the case of serious delays on one or more property projects, our business and reputation will be harmed.

***If we cannot continue to obtain qualification certificates, our business may be adversely affected.***

As a precondition to engaging in real estate property development in China, a property developer must obtain a qualification certificate and renew it on an annual basis unless the rules and regulations allow a longer renewal period. According to the current PRC regulations on qualification of property developers, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for a maximum of two years. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

Property developers in China must also produce valid qualification certificates when they apply for pre-sale permits. We cannot assure you that we will be able to pass the annual verification of the qualification certificates or that we or each of our project companies will be able to obtain formal qualification certificates in a timely manner, or at all, as and when they become due to expire. For example, qualification certificates of certain of our project companies have expired and we are in the

process of renewing them. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for our property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. If we or any of our project companies are unable to meet the relevant requirements, and are therefore unable to obtain or renew the qualification certificates or pass the annual verification, our business and financial condition could be materially and adversely affected.

In addition, laws and regulations on our recently expanded business, such as insurance also require relevant qualification certificates. We cannot assure you that we will not encounter significant problems in making payment of registered capital in a timely manner or at all, or satisfying other conditions necessary for the issuance of other licenses, certificates, permits or approvals. If we fail to obtain or renew the necessary licenses, certificates, permits or approvals for any of our PRC subsidiaries, property projects, or our expanded new businesses, our business, results of operations and financial condition may be materially and adversely affected.

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

We are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise. Our valuations are based on a direct comparison approach, under which our investment properties are directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of capital values.

A capitalization approach has also been adopted, under which the estimated net income generated from the investment properties is capitalized at an appropriate rate to arrive at the value conclusions. Our investment properties were revalued by an independent property valuer as of December 31, 2015, 2016, and 2017 and June 30, 2018 on an open market, existing use basis, which reflected market conditions on those dates. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized fair value gains on investment properties and the relevant deferred tax on our consolidated income statements. For the years ended December 31, 2015, 2016, 2017 and June 30, 2018, the fair value gains on our investment properties were RMB12,859 million, RMB5,124 million, RMB8,513 million (US\$1,287 million) and RMB1,347 million (US\$204 million), respectively, and accounted for approximately 40.9%, 13.9%, 11.0% and 1.4% respectively, of our profit before tax.

The significant increase in the fair market value of our investment properties from 2016 to 2017 was primarily due to the additional area of investment properties in 2017. Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us and, therefore, do not increase our liquidity in spite of the increased profit. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties at the previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline in the event that our industry experiences a downturn as a result of PRC government regulatory policies or a global economic downturn. All these factors are beyond our control. Any significant decrease in the fair value of our investment properties may materially and adversely impact our profitability.

***We may not be able to obtain land use rights certificates with respect to certain parcels of land under contract.***

We have entered into land grant contracts, transfer agreements or certain land transaction confirmation letters, but have not obtained all land use rights certificates in respect of some projects as disclosed in the section entitled “Business — Project Overview — Properties Under Development and Held for Future Development.” If we fail to obtain, or experience material delays in obtaining, the land use rights certificates with respect to these parcels of land, our business, financial condition and results of operations may be materially and adversely affected.

***We rely on third-party contractors for certain services in our property development.***

We engage third-party contractors to provide various services, including construction, landscaping, gardening, equipment installation, interior decoration, mechanical and electrical installation and utilities installation. We generally select third-party contractors through our standardized tender process. We endeavor to employ only companies with good reputations, strong track records, performance reliability and adequate financial resources, and we have implemented strict quality control procedures and closely monitor the construction progress. However, we cannot assure you that such third-party contractors will always provide satisfactory services of the quality required by us. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could adversely affect the cost and development schedule of our projects. In addition, as we are expanding our business into additional cities in China, there may be a shortage of third-party contractors that meet our quality requirements in such regions. Moreover, the contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may adversely affect their ability to complete our property projects on time, within budget or at all. All of these third-party related factors may have material adverse impact on our reputation, credibility, financial position and business operations.

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

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

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by centralizing our procurement to lower our purchase costs. We also manage the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of principal construction materials such as steel and cement at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should our existing contractors fail to perform under their contracts, we might be required to pay more to contractors under replacement contracts. Our profit margin is sensitive to changes in market prices for construction materials and our project margins will be materially and adversely affected if we are not able to pass all of the increased costs onto our customers.

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

As the result of economic growth and the boom in the property industry in the PRC, wages for construction workers have experienced increases in recent years. In addition, the PRC Labor Contract Law 《中華人民共和國勞動合同法》 that came into effect on January 1, 2008 enhanced the protection for employees and increased employers' liability which may further increase our labor costs. Under the terms of most of our construction contracts, the construction contractors are responsible for the wages of construction workers for our property development and bear the risk of fluctuations in wages during the term of the relevant contract. The contractors are also liable if they do not purchase work injury insurance for their workers as required. However, we are exposed to the price volatility of labor to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span several years, or if we choose to hire the construction workers directly. If we are unable to pass on any increase in the cost of labor, to either our construction contractors or to the purchasers of our properties, our results of operations may be adversely affected.

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

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, banks require us to guarantee our customers' mortgage loans. Typically, we guarantee mortgage loans taken out by our customers up until we complete the relevant properties and the property ownership certificates and certificates are delivered to the mortgagee banks. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers whose mortgage loans we guarantee but rely on the evaluation of such customers by the mortgagee banks.

As of December 31, 2015, 2016, 2017 and June 30, 2018, our outstanding guarantees in respect of our customers' mortgage loans amounted to RMB141,591 million, RMB252,128 million, RMB344,026 million (US\$51,990 million) and RMB349,975 million (US\$52,889 million), respectively. Should substantial defaults occur and if we are called upon to honor our guarantees, our financial condition and results of operations could be materially and adversely affected.

***We bear demolition and resettlement costs associated with some of our property developments and such costs may increase.***

We are required to compensate owners and residents of demolished buildings on some of our property developments for their relocation and resettlement in accordance with the PRC urban housing demolition and relocation regulations. The compensation we pay is calculated in accordance with formulas published by the relevant local authorities. These formulas take into account the location, type of building subject to demolition, local income levels and many other factors. We cannot assure you that these local authorities will not change or adjust their formulas from time to time without sufficient advance notice. If they do so, the land costs may be subject to substantial increases, which can adversely affect our cash flow, financial condition and results of operations. In addition, despite these government-sanctioned formulas, if we fail to reach an agreement over the amount of compensation with any existing owner or resident, either we or such owner or resident may apply to the relevant authorities for a ruling on the amount of compensation. Dissenting owners and residents may also refuse to relocate. This administrative process or such resistance or refusal to relocate may delay the timetable of our development projects, and an unfavorable final ruling may result in us paying more than the amount calculated under the formulas. Such delays in our development projects will also lead to an increase in the cost and delay the cash inflow from pre-sales of the relevant projects, and the recognition of sales as revenue upon completion, which may in turn materially and adversely affect our business, results of operations and financial condition.

***Property owners may cease to engage us as the provider of property management services.***

We provide property management services to our property owners through our property management subsidiary, Jinbi Property Management Co., Ltd. (金碧物業有限公司), or Jinbi Property Management. Under PRC laws and regulations, the property owners of a residential development have the right to change the property management service provider upon the approval by a certain percentage of the property owners. If owners of the properties that we have developed choose to terminate our property management services, or our property management services receive unsatisfactory reviews by property owners, our reputation, future sales of our properties and our results of operations could be materially and adversely affected.

***We have limited insurance to cover our potential losses and claims.***

We do not carry insurance against all potential losses or damages with respect to our properties before their delivery to customers other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not maintain insurance coverage against liability from tortious acts or other personal injuries related to our project constructions or for business interruption. We cannot assure you that we would not be sued or held liable for damages due to such tortious acts and other personal injuries. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquakes, typhoons, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our operations and property development, we may not have sufficient financial resources to remedy the damages or to satisfy our potential obligations. In addition, any payments we make to cover any losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial condition.

***Our results of operations may vary significantly from period to period.***

We derive a majority of our revenue from the sale of residential properties that we have developed. In accordance with our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may take place up to 18 months after the commencement of pre-sale. As a result, our results of operations may vary significantly from period to period due to the construction timetables and timing of sales and delivery of our various development projects. Additionally, selling prices of properties vary and are largely determined by local market conditions. Although our properties are developed under the standardized operational model, the average selling price for properties in the same series may vary from city to city, which may affect our business, results of operations and financial condition. Seasonal variations may cause further fluctuations in our interim revenue and profits. For example, we have a number of projects in northern China where winter weather conditions can hinder the execution of our development projects and delay our timetable and revenue recognition. In light of the above, we believe that period-to-period comparisons of our results of operations may not be as meaningful as they would be for a business with mostly recurring revenue from period to period.

***We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes.***

We are a Cayman Islands exempted holding company with substantially all of our operations conducted through our operating subsidiaries in China. Under the PRC Enterprise Income Tax Law that took effect on January 1, 2008 as amended, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax law purposes and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations issued by the State Council relating to the PRC Enterprise Income Tax Law, a “de facto management body” is defined as a body that has significant and overall



management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders that are PRC enterprises. However, there are no official implementation rules regarding the determination of the “de facto management bodies” for overseas enterprises that are not controlled by PRC enterprises. Therefore, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by a Hong Kong permanent resident as is in our case. Although we are currently not treated as a PRC resident enterprise by the relevant PRC tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. If we are deemed to be a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we may be obligated to withhold PRC income tax of 10% on payments of interest and other amounts on the Notes to investors that are non-resident enterprises (or 20% for non-resident individual holders of the Notes) or lower rates for holders who qualify for the benefits of a double-taxation treaty with China, because the interest and other distributions may be regarded as being derived from sources within China. If we are required to withhold PRC tax from interest payments on the Notes, we may be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have an adverse effect on our financial condition. Any gain realized by non-PRC investors from the transfer of the Notes may be regarded as being derived from sources within China and accordingly may be subject to a 10% PRC income tax for non-PRC enterprise holders of the Notes (20% in the case of non-resident individuals) if we are treated as a PRC resident enterprise, subject to the provisions of an applicable treaty.

***Any disputes with our joint venture or co-development partners may materially and adversely affect our business.***

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

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

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

***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.***

As of September 30, 2018, Dr. Hui beneficially owned 71.7% of our outstanding shares through Xin Xin (BVI) Limited. Xin Xin (BVI) Limited, and ultimately Dr. Hui, have and will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our creditors, including the holders of the Notes, best interests, including matters relating to our management and policies and the election of our directors and senior management. Xin Xin (BVI) Limited, and ultimately Dr. Hui, 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.

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

Pursuant to the Announcement on Matters Concerning Withholding of Income Tax of Nonresident Enterprises at Source 《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》(the “SAT Circular 37”), which was issued by the SAT on October 17, 2017 and was made effective from December 1, 2007, gains derived from indirect transfer of equity interests in PRC resident enterprises may be subject to PRC withholding tax. SAT Circular 37 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 PRC tax authorities have the power to make a reasonable adjustment with respect to the taxable income of the transaction.

On February 3, 2015, the SAT promulgated the Announcement of Certain Issues on Enterprise Income Tax Regarding Indirect Transfer of Properties by Non-resident Enterprises 《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》, or the Announcement 7, which clarifies certain issues under the SAT Circular 37. For example, the Announcement 7 (1) defines what “indirect transfer of taxable properties of China” is; (2) clarifies how to tax gains derived from indirect transfer of taxable properties of China; (3) clarifies how to determine reasonable commercial purposes; and (4) provides procedures and required documents for reporting indirect transfer of taxable properties of China to competent tax authorities. In order to implement the Announcement 7, the SAT promulgated the Circular on Issuing the Work Procedures concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (Trial) 《非居民企業間接轉讓財產企業所得稅工作規程(試行)》 on May 13, 2015 which specifies tax authorities’ corresponding responsibilities and operating procedures concerning the collection of enterprise income tax on the indirect transfer of properties by non-resident enterprises. As a result, we may become at risk of being taxed under SAT Circular 37 and Announcement 7 due to any future indirect transfer of equity interests in our PRC subsidiaries. We may be required to allocate significant resources to comply with SAT Circular 37 and Announcement 7 or to establish that we should not be taxed under SAT Circular 37, and Announcement 7 which may have a material adverse effect on our financial condition and results of operations.

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

We may be involved from time to time in material disputes with various parties involved in the acquisition, development and sale of our properties, including contractors, suppliers, construction workers, original residents, co-development or other partners, banks and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management’s attention. As most of our projects are composed of multiple phases, purchasers of our properties in earlier phases may commence 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 compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities, fines or sanctions and cause damage to our reputation and delays to our property developments. For example, in February 2017, Evergrande Life was sanctioned by the China Insurance Regulatory Commission due to its irregular investment operations, restricting it from stock trading for one year and lowering its cap on equity investment to 20% of its total assets. We may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of our projects. The occurrence of any of the above events, and failure to



comply with any applicable PRC laws or regulations, may have a material adverse effect on our business, financial condition and results of operations. Additionally, we may also be involved in disputes relating to our equity interests in the project companies and relevant projects, which may adversely affect our reputation and business. For example, in January 2016, Winlok Investment Ltd. (威諾投資有限公司) filed two lawsuits in a local court in Beijing against four defendants, including a wholly-owned subsidiary of ours, Marche Limited (麗來富華集團有限公司), which holds the entire equity interest of two of our project companies in Beijing. The claims alleged that two equity transfer agreements entered into between Niceline Company Limited (麗來有限公司) and Marche Limited were invalid and the investment interests in the aforesaid project companies remained with Niceline Company Limited. Two of our project companies in Beijing participated in the hearing organized by the Beijing High People's Court in August 2018. As of the date of this offering memorandum, the Beijing High People's Court has not rendered a final judgment. Finally, any failure or alleged failure by us or any of our directors, officers or other agents to fully adhere to the PRC or other applicable anti-corruption laws, or any investigation in relation to such failure or alleged failure by any regulatory body, could also materially and adversely affect our reputation and our business, financial condition and results of operations. For more information, you should refer to the section entitled "Business — Legal Proceedings."

***We may face negative publicity or unfavorable research reports.***

From time to time, our Company may face negative publicity or unfavorable research reports relating to our business, financial performance, financial reporting or operations. We may defend ourselves against such allegations through legal and administrative proceedings as appropriate. However, we cannot assure you that such proceedings will result in a ruling or decision to our favor nor that the negative publicity effect imposed by those allegations would be eliminated or reduced upon a positive ruling.

Any such negative publicity or unfavorable research report, even if malicious or prepared on an unfounded factual basis, could have a material adverse effect on the trading price of the Notes or have a materially adverse effect on the image or reputation of our Company.

***We may be exposed to intellectual property infringement, misappropriation or other claims by third parties and a deterioration in our brand image could adversely affect our business.***

We believe that we have built an excellent reputation in China for the quality of our various product series. We have also placed great importance on the continuous enhancement of our brand name and the increase in our brand recognition. Our brand strategy, however, depends on our ability to use, develop and protect our intellectual properties, such as our trademarks. Although we have applied for trademark registration for our names and logos, we have not successfully registered all of these trademarks in China or elsewhere. As a result, we could be subject to trademark disputes. The defense and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert our resources and the time and attention of our management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liabilities to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or subject us to injunctions prohibiting the use of our name and logo.

***Any recurrence of the global financial crisis and economic downturn or a deterioration of our cash flow position may have a material adverse effect on our ability to service our indebtedness and continue our operations.***

The global capital and credit markets have in recent years experienced periods of extreme volatility and disruption. The global financial crisis in recent years has caused banks and other credit providers to restrict the availability of new credit facilities and to require more collateral and higher pricing upon the renewal of existing credit facilities. The recurrence of the global financial crisis or prolonged disruptions to the credit market may further slow down the growth of the PRC economy and sales of property,

limiting our ability to raise funds from current or other funding sources, or cause our access to funds to be more expensive, which may materially and adversely affect our business, financial position and operating results.

In addition to bank loans and other borrowings, we rely on internally generated funds, in particular, pre-sale proceeds of our properties as a major source of funding for our operations. If our pre-sale activities are significantly limited or otherwise materially and adversely affected as a result of changes in the relevant PRC laws and regulations, the occurrence of a global economic downturn or a significant economic slowdown in China generally or in the cities where we have properties, our cash flow position and ability to service our indebtedness may be materially and adversely affected. Furthermore, if banks or other financial institutions decline to provide additional loans to us or to re-finance our existing loans when they mature as a result of our perceived credit risk, and we fail to raise financing through other channels, our business and financial position may be materially and adversely affected.

***All employee participants in our share option scheme who are PRC citizens may be required to register with SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt additional option plans for our directors and employees under PRC law.***

PRC regulations require that individuals in China (including PRC citizens and foreign individuals who have lived in China over one year) who intend to participate in the share incentive plan of an overseas listed company shall appoint a qualified PRC domestic agent or a PRC subsidiary of such overseas listed company (defined as a “**PRC agency**”) to conduct foreign exchange registration, opening of accounts and transfer and exchange of funds, and an overseas agency shall be appointed to conduct any exercise of options, buying and selling of relevant shares or equities and transfer of relevant funds. After such individuals’ foreign exchange income received from participation in the share incentive plan is remitted to the PRC, relevant banks shall distribute the above funds from the account opened and managed by the PRC agency to such individuals’ foreign exchange accounts. We and our PRC employees who have been granted share options or restricted shares will be subject to these regulations.

If we or our PRC employees fail to comply with such registration requirements, it may subject us and the participants of our share option scheme who are in the PRC to fines and legal sanctions which are imposed pursuant to Regulations on the Foreign Exchange System 《外匯管理條例》 and the Measures for the Administration of Individual Foreign Exchange 《個人外匯管理辦法》, which could adversely affect our business operations.

***We may not be able to continue to attract and retain quality tenants for our investment properties and the illiquid nature of investment properties could restrain our revenue and cash flow and limit our ability to respond to adverse changes in the performance of our properties.***

Our investment properties compete for tenants with other properties based on, among other things, location, quality, maintenance, property management, rent levels and other lease terms. We cannot assure you that existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with ours would increase the competition for tenants and as a result we may have to reduce rent or incur additional costs to make our properties more attractive. If we are not able to retain our existing tenants or attract new tenants to replace those that leave or to lease our new properties, our occupancy rates may decline. If we fail to attract well-known brands as our tenants or keep our existing tenants, our investment properties may become less attractive and competitive.

Moreover, holding a large amount of investment properties and collecting rents, as compared to selling them, could restrain our revenue and cash flow in the short term. The property market is also affected by many factors that are beyond our control, including but not limited to general economic conditions, the availability of mortgage financing and interest rates, and we cannot accurately determine

the market price of our investment properties nor are we able to predict whether we will be able to sell any of our investment properties at the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could materially and adversely affect our business, financial condition and results of operations.

### **Risks Relating to the Property Industry in China**

#### ***The PRC government may adopt further measures to balance growth in the property sector.***

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, the PRC government has, since 2004, introduced various policies and measures to curtail property developments, including:

- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 sq.m. and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from MOHURD;
- suspending mortgage loans to purchasers for their third residential properties and beyond, and to non-local residents who have not paid local tax or social security for longer than a one-year period;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- limiting the number of homes that local residents can buy in a specified period; and
- proposing to enlarge the scope of trials in levying property tax.

Although the various control measures are intended to promote more balanced property development in the long term, we cannot assure you that these measures will not adversely affect the development and sales of our properties. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. The PRC government could adopt additional and more stringent industry policies, regulations and measures in the future, which could further slow down the property development in China. Our results of operations may be materially affected by these factors. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business, reduce our sales or average selling prices, or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

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

We depend on cash flows from pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. In August 2005, PBOC in a report entitled “2004 Real Estate Financing Report” recommended to discontinue the practice of pre-selling unfinished properties because such practices, in PBOC’s opinion, create significant market risks and generate transactional irregularities. In July 2007, an economic research group under the PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會), or NDRC, recommended the abolishment of the pre-sale system. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. In April 2010, MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing 《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》. The notice urges local governments to enact regulations on the sale of completed residential properties in light of local conditions and encourages property developers to sell residential properties only when they are completed. Recently, certain developer have commenced the practice of trial sale of completed residential properties. We cannot assure you that the PRC governmental authority will not ban the practice of pre-selling residential properties prior to completion or implement further restrictions on the pre-sale of such properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would require that we seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, results of operations and financial condition.

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

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》(the “**M&A Provisions**”) issued by six PRC ministries, including MOFCOM, effective from September 8, 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign funded enterprise, and thus convert the domestic non-foreign-invested enterprise into a foreign invested enterprise to conduct asset merger and acquisition. It stipulates that the business scope upon acquisition of domestic enterprises must be subject to the Special Administrative Measures on Access of Foreign Investment (Negative List) (2018 Edition) 外商投資准入特別措施(負面清單)(2018年版), issued by NDRC and MOFCOM, which

restricts the scope of permitted foreign investment. It also provides the takeover procedures for equity interests in domestic companies. On September 3, 2016, the National People's Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On October 8, 2016, the NDRC and the MOFCOM jointly issued a notice regarding the scope of industries subject to the special administrative measures for foreign investment entry, according to which the M&A Provisions still apply to convert the domestic non-foreign-invested enterprises into foreign invested enterprises.

Our PRC legal advisors have advised us that there are uncertainties as to how the M&A Provisions will be interpreted or implemented after the revision of the law of foreign invested companies.

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

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. In May 2007, the PRC Ministry of Commerce (中華人民共和國商務部), or MOFCOM, and PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局), or SAFE, jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in China (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which, among other things, provides that:

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

In June 2008, MOFCOM issued the Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知), often known as Notice 23. According to Notice 23, MOFCOM has entrusted provincial MOFCOM departments to verify materials on file by foreign-invested real estate enterprises. Notice 23 requires that each FIREE may engage in one approved real estate project only.

In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知), which provides that, among other things, in the case that a real estate enterprise is established in China with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for arbitrage purposes. The local MOFCOM authorities are not permitted to approve foreign-invested investment companies to engage in real estate development and management.



On June 24, 2014, MOFCOM and SAFE jointly promulgated the Circular on Improving the Record-filing for Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), which simplifies the procedures of record-filing for foreign investment in real estate and the record-filing with MOFCOM has been changed from the record-filing in the form of paper materials to that in the form of electronic data and selective examination will be conducted during and after the record-filing.

On November 6, 2015, MOFCOM and SAFE jointly promulgated the Circular on Further Improving the Record-filing of Foreign Investments in Real Estate (關於進一步改進外商投資房地產備案工作的通知), which further simplifies the record-filing procedures for foreign-invested real estate enterprises and cancels the registry publication procedures on the website of MOFCOM.

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

***The property market in the PRC is still at a relatively early stage of development.***

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

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

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

**Risks Relating to China**

***PRC economic, political and social conditions as well as governmental policies can affect our business.***

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- political structure;
- degree of government involvement and control;
- degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and

- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on the overall and long-term development of China, we cannot predict whether changes in the PRC economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment.

***Inflation in China may have a material adverse effect on our business, financial condition and results of operations.***

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographic areas of the country. Rapid economic growth can lead to growth in money supply and inflation. If prices of our properties rise at a rate that is insufficient to compensate for the rise in our costs, our business, financial condition and results of operation may be materially and adversely affected. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth and may materially and adversely affect our business, financial condition and results of operations.

***Changes in PRC foreign exchange regulations may adversely affect our business operations.***

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Our investment decisions are additionally affected by various other measures taken by the PRC government relating to the PRC property market. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by



and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

***Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries.***

The value of Renminbi depends, to a large extent, on the PRC domestic and international economic, financial and political developments and governmental policies, as well as the currency's supply and demand in the local and international markets. From 1994 to 2005, the conversion of Renminbi into foreign currencies was based on exchange rates set and published daily by PBOC in light of the previous day's interbank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, PBOC revalued Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of Renminbi appreciated by more than 2% on that day. Since then, the PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. The PBOC doubled the width of US\$–RMB onshore trading band to +/-2% from +/-1% on March 17, 2014, which further increased the volatility between US\$–RMB exchanges. For the year ended December 31, 2014, Renminbi depreciated 0.36% against the U.S. dollar, the first depreciation since the Renminbi exchange reform in 2005. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the US\$–RMB exchange rates. On the same day, the daily reference rate for Renminbi against U.S. dollars depreciated by 1.9% to 6.2298 compared with 6.1162 for August 10, 2015. The International Monetary Fund announced on September 30, 2016 that, effective from October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. We cannot assure you that such exchange rate will not fluctuate widely against the U.S. dollar or any other foreign currency in the future. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness denominated in foreign currencies.

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

***Interpretation of PRC laws and regulations involves uncertainty.***

Our core business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a

view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. 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.

Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

***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. Recently, the Supreme People's Court and the Department of Justice of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region 《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》. Nevertheless, 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 and uncertain.

***The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.***

Our business is subject to general economic and social conditions in 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 flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in April 2013 and resulted in tremendous loss of lives and destruction of assets in the region. We have projects located in Chengdu, approximately 100 kilometers from the earthquake's epicenter in Lushan County, Sichuan Province. Earthquakes with such magnitude may adversely affect our ability to complete and sell or lease our properties as scheduled or cause material damage or loss to our properties. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, 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 financial condition and results of operations.

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

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

### **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 mainly through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries and certain of our offshore subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries and Unrestricted Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or the 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 Unrestricted Subsidiaries and any holders of preferred shares in such entities, would have a claim on the these 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 and Unrestricted 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 and Unrestricted Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. In addition, certain of our offshore subsidiaries are permitted to not guarantee the Notes and not have their capital stock pledged to secure the Notes, *provided* that, the consolidated assets of all these offshore subsidiaries do not exceed 20% of our Relevant Total Assets. As of June 30, 2018, our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries had total borrowings of approximately RMB46.1 billion (US\$7.0 billion), capital commitments of approximately RMB0.4 billion (US\$0.1 billion) and contingent liabilities arising from guarantees of approximately RMB9.9 billion (US\$1.5 billion). The Notes, the Existing Notes and their respective indentures permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries to incur additional indebtedness (including secured 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, or a purchase from, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, 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 Notes Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

We maintain a significant level of indebtedness to finance our operations. As of December 31, 2015, 2016, 2017 and June 30, 2018, our aggregate outstanding borrowings were RMB296,906 million, RMB535,070 million, RMB732,625 million (US\$110,717 million) and RMB671,129 million (US\$101,423 million), respectively. Our total borrowings described above do not include our guarantees or indemnity. Since June 30, 2018, we have also incurred additional debt in the ordinary course of business to finance our operations and to refinance our short-term debt. See also “Description of Material Indebtedness and Other Obligations.”

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

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated EBITDA includes our unrealized

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

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

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes and the Existing 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. Currently, some of the instruments governing debt for our PRC subsidiaries contain restrictions that require such PRC subsidiaries to obtain approval from lending banks or other financial institutions prior to distributing any dividends. Such restrictions may adversely affect the calculation of our Consolidated EBITDA, and in turn our ability to undertake additional financing, investment or other transactions under the terms of the Notes. In addition, the shares and assets, including dividends derived from these shares, of certain of our subsidiaries are pledged to secure some of our indebtedness. Furthermore, if any of our subsidiaries raises capital by



issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends when (i) they have completed the project development, or at least have completed a phase of the project or a stand-alone tower or building and its revenue is recognized and (ii) the required government tax clearance and foreign exchange procedures have been completed. In addition, starting from January 1, 2008, dividends for the year 2008 and onward paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated that 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 PRC withholding tax rate may be lowered to 5%, although there exists uncertainty due to several PRC governmental circulars regarding whether and the extent to which Hong Kong holding companies may be eligible for the benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or to 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 event, 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, or any of the Existing Notes. Our PRC subsidiaries are also required to pay a 10% (if the interest is paid to a Hong Kong resident under certain circumstances) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

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

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

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the



relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. According to the Guide for Foreign Debt Registration Management 《外債登記管理操作指引》 promulgated in April 2013, for a foreign-invested real estate enterprise that was established prior to June 1, 2007, SAFE could process such enterprise's foreign debt registration in an amount not exceeding the difference between the total investment in such enterprise and its registered capital. However, it is uncertain how the SAFE and local authorities will interpret and implement this Guide. Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of this offering that will be used for land acquisitions and developments in China may only be transferred to our PRC subsidiaries as equity investments and not as loans. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes or the Existing Notes, or on the maturity date to pay the principal of the outstanding Notes or the Existing Notes.

***The terms of the Notes permit us to consummate the transactions contemplated by the Proposed Reorganization and the Strategic Investments.***

The terms of the Notes will permit the Company to consummate transactions contemplated by the Proposed Reorganization and the Strategic Investments. For more information see “Summary — Recent Developments — Proposed Reorganization and Strategic Investments” and “Risks Relating to our Business — We face risks associated with the Proposed Reorganization and Strategic Investments.” The consummation of such transactions will result in, amongst others:

- the Company's beneficial ownership interest in the Target Assets being reduced;
- the Company's proportional interest in any dividend payments on the Target Assets through its new holding company, Shenzhen Real Estate, which is listed on the Shenzhen Stock Exchange A-share market, possibly being subject to restrictions or limitations imposed by its charter or organizational documents, relevant laws and regulations and/or the Shenzhen Stock Exchange;
- restrictions on providing onshore guarantees or security for offshore credit (*nei bao wai dai*), which the Company uses to fund its offshore cash and financing requirements, as a result of Shenzhen Real Estate being the holding company for the Target Assets; and
- assets which are currently owned by Subsidiary Guarantors or JV Subsidiary Guarantors no longer being owned by an entity that provides a Subsidiary Guarantee or JV Subsidiary Guarantee.

***We may not be able to repurchase the Notes and the Existing Notes upon a change of control triggering event.***

We must offer to purchase the Notes and the Existing 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 in accordance with the terms of the respective indentures. See the sections entitled “Description of 2020 Notes,” “Description of 2021 Notes,” “Description of 2022 Notes” and “Description of Material Indebtedness and Other Obligations.”

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 and the outstanding Existing Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes and the outstanding Existing Notes would constitute an Event of Default under the Notes and the Existing 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, the Existing Notes and repay the debt. Moreover, the ability of the Collateral Agent, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject to the terms of the Intercreditor Agreement and the Security Documents as well as in certain instances to perfection and priority status. See “— Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

In addition, the definition of change of control triggering event for purposes of the Indentures 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 Indentures 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.

***The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures; the terms of the Notes also give us flexibility to pay dividends and repurchase our shares.***

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. In addition, we may consider making strategic investments in non-real estate industries as part of our plan to diversify our business. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indentures and the Existing Indentures. Although the Indentures and the Existing Indentures restrict us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or joint ventures, these restrictions are subject to important exceptions and qualifications. In particular, the Indentures do not impose a minimum shareholding requirement or restrict the types of business these entities are engaged in. Under the Indentures, we are also not required to satisfy the Fixed Charge Coverage Ratio for such investments up to 12.5% of the Total Assets. We also have a general basket of making investments that is not subject to any conditions for up to 1% of the Total Assets. See the sections entitled “Description of 2020 Notes — Certain Covenants — Limitation on Restricted Payments,” “Description of 2021 Notes — Certain Covenants — Limitation on Restricted Payments” and “Description of 2022 Notes — Certain Covenants — Limitation on Restricted Payments.”

In addition, notwithstanding any other provision of the “Limitation on Restricted Payments” covenant under the terms of the Notes, we are not required to satisfy the Fixed Charge Coverage Ratio for any restricted payment consisting solely of the declaration or payment of dividends in cash on our Common Stock or the repurchase of our Common Stock and otherwise have flexibility to make substantial amounts of dividend distributions on our Common Stock and repurchases of our Common Stock. See “Description of 2020 Notes — Certain Covenants — Limitation on Restricted Payments,” “Description of 2021 Notes — Certain Covenants — Limitation on Restricted Payments” and “Description of 2022 Notes — Certain Covenants — Limitation on Restricted Payments.”

***The terms of the Notes permit us to engage in businesses that may not be related to our real estate business.***

As part of our strategy, we have taken significant initiatives or made investments to enter new businesses with a view to establishing alternative revenue sources and diversifying our business. The Indentures will not restrict us and our Restricted Subsidiaries from expanding into businesses that we are not currently engaged in. Subject to certain restrictions, we may also make minority investments in connection with such diversification. See “— The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures; the terms of the Notes also give us flexibility to pay dividends and repurchase our shares.” Our expansion into new businesses will expose us to risks that are different from those we have faced in the past. See “— Risks Relating to Our Business — We have started expanding our operations into other industries and such expansion may not be successful.”

***The terms of the Notes permit us to buy out minority interests in non-wholly owned Restricted Subsidiaries, and such purchases will not constitute Restricted Payments.***

The Indentures permit us to redeem, repurchase or otherwise acquire minority interests in our Restricted Subsidiaries held by Independent Third Parties, and such purchases will not constitute Restricted Payments. See “Description of 2020 Notes — Certain Covenants — Limitation on Restricted Payments,” “Description of 2021 Notes — Certain Covenants — Limitation on Restricted Payments” and “Description of 2022 Notes — Certain Covenants — Limitation on Restricted Payments.” Even though such transactions would potentially increase our ownership interests in the relevant Restricted Subsidiary, we may have to pay substantial amounts of consideration in these transactions, whether in cash or other assets, which may adversely impact our business, results of operations and financial condition.

***The terms of the Notes permit us to designate any Non-Core Entity as an Unrestricted Subsidiary in connection with any Qualified Spin-off IPO, and investments we retain in such Unrestricted Subsidiaries will not constitute Restricted Payments upon such designation.***

As part of our strategy, we have taken significant initiatives or made investments to enter new businesses with a view to establishing alternative revenue sources and diversifying our business. We may spin off such new businesses, as well as our property management business and acquisition, development, management and operation of hotel properties, commercial properties, or sports, leisure or infrastructure facilities, in the future as we desire. Subject to certain restrictions, in connection with a spin-off listing of Non-Core Entities that are engaged in businesses other than our core real estate development business, the terms of the Notes permit us to designate any such Non-Core Entity as an Unrestricted Subsidiary, and any interests we retain in such Non-Core Entities will not constitute Restricted Payments upon such designation. See “Description of 2020 Notes — Certain Covenants — Limitation on Restricted Payments,” “Description of 2021 Notes — Certain Covenants — Limitation on Restricted Payments,” “Description of 2022 Notes — Certain Covenants — Limitation on Restricted Payments” and the definition of “Permitted Investment” therein. We currently do not have any plan for such spin off listing of Non-Core Entities and do not expect to make such designations. The effects of any such designation, if applicable, include, but are not limited to, that:

- any entity so designated as an Unrestricted Subsidiary will no longer be subject to the covenants under the Indentures;
- the Subsidiary Guarantees of any entity so designated as an Unrestricted Subsidiary may be released, and the shares of such entity previously pledged to the Collateral Agent for the benefit of the holders of the Notes and other Existing Pari Passu Secured Indebtedness may be released; and

- interest expenses on Indebtedness of any entity so designated as an Unrestricted Subsidiary will not be included in the calculation of our Consolidated Interest Expense, other than such interest expenses on Indebtedness that is Guaranteed by the Company or a Restricted Subsidiary.

In addition, the terms of the Notes provide us with additional flexibility to designate subsidiaries as Unrestricted Subsidiaries, so long as such subsidiaries do not have existing indebtedness that could actually trigger a cross-default to the debt of the Company at the time of designation, and if other conditions are satisfied. See “Description of 2020 Notes — Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” “Description of 2021 Notes — Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” and “Description of 2022 Notes — Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries.”

***The terms of the Notes permit the Company and each Subsidiary Guarantor and JV Subsidiary Guarantor to transfer all or substantially all of its and its Restricted Subsidiaries’ properties and assets to any Restricted Subsidiary.***

The Company and each Subsidiary Guarantor or JV Subsidiary Guarantor will be permitted to sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets to any Restricted Subsidiary, including as part of the Proposed Reorganization, without satisfying the restrictions under consolidation, merger and sale of assets covenant. See “Description of 2020 Notes — Consolidation, Merger and Sale of Assets,” “Description of 2021 Notes — Consolidation, Merger and Sale of Assets” and “Description of 2022 Notes — Consolidation, Merger and Sale of Assets.” The effects of any such transfer, if applicable, include, but are not limited to, that the Person into which such assets are transferred may not be the Company or a Subsidiary Guarantor or JV Subsidiary Guarantor and will have no obligation to become a Subsidiary Guarantor or JV Subsidiary Guarantor concurrently with the transaction.

***Certain of our offshore Restricted Subsidiaries will be permitted to not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee, and their shares will not be required to be pledged for the benefit of the holders of the Notes.***

According to the terms of the Notes, certain offshore Restricted Subsidiaries will not be required to deliver a Subsidiary Guarantee or a JV Subsidiary Guarantee, and their shares will not be required to be pledged for the benefit of the holders of the Notes, including the following:

- a publicly listed Restricted Subsidiary and its Subsidiaries;
- any Restricted Subsidiary organized in any jurisdiction other than the PRC that is directly or indirectly owned by certain of PRC Persons (see the definition of “Exempted Subsidiary” in “Description of 2020 Notes,” “Description of 2021 Notes” and “Description of 2022 Notes”);
- any Restricted Subsidiary the provision of a Subsidiary Guarantee or a JV Subsidiary Guarantee by which would be prohibited by any applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies; and
- offshore Restricted Subsidiaries whose consolidated assets in the aggregate do not exceed 20% of our Relevant Total Assets.

See “The Subsidiary Guarantees and the JV Subsidiary Guarantees” and “The Security” sections and the definitions of “Listed Subsidiary,” “Exempted Subsidiary” and “Relevant Total Assets” in the “Description of 2020 Notes,” “Description of 2021 Notes” and “Description of 2022 Notes.” As a

result of these exemptions, certain of our offshore Restricted Subsidiaries, which may constitute substantial revenue sources and/or hold substantial assets, will not be guaranteeing the Notes, and their shares are not required to be pledged for the benefit of the holders of the Notes.

***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 that we are treated as a PRC “resident enterprise” under the PRC Enterprise Income Tax Law, as described in “— Risks Relating to Our Business — We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes,” we may be required to withhold PRC tax on interest payable to non-resident holders of the Notes. In such case, we will, subject to certain exceptions, be required to pay such additional amounts so that a holder of a Note will receive the same amounts as he would have received had no such withholding been required. As described under “Description of 2020 Notes — Redemption for Taxation Reasons,” “Description of 2021 Notes — Redemption for Taxation Reasons” and “Description of 2022 Notes — Redemption for Taxation Reasons.” In the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change of interpretation or the stating of an official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may select to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest. A holder of the Notes may therefore be redeemed at an earlier time prior to the Notes’ stated maturity date.

***The insolvency laws of the Cayman Islands, the British Virgin Islands, Hong Kong 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 and JV Subsidiary Guarantors (if any) are 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 British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

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 that 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 differ significantly 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 not be able 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 the 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 the 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 under certain circumstances) 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 or the Existing Notes.

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

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- 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.

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

Although application has been made to the SGX-ST for the listing and quotation of the Additional Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Additional Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a



result, you will only be able to resell your Additional Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “Transfer Restrictions.” We cannot predict whether an active trading market for the Additional Notes will develop or be sustained. If an active trading market does not develop or does not continue, the market price and liquidity of the Additional Notes could be adversely affected.

***The Additional Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant Clearing System to exercise any rights and remedies.***

The Additional Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only, and the Additional 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 Additional Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Additional 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 notes representing the Additional Notes and credited by such participants to indirect participants. After payment to the common depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the beneficial owners of book-entry interests. Accordingly, if you beneficially own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you beneficially own your interest, to exercise any rights and obligations of a holder of the Additional Notes under the Indentures. Unlike the holders of the Additional Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Additional Notes. Instead, if you beneficially 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 Indentures, unless and until definitive registered notes are issued in respect of all book-entry interests, as a beneficial owner of a book-entry interest, you will be restricted to acting through Euroclear and Clearstream and their respective direct and indirect participants. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Additional Notes.

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

The Additional 2020 Notes and the Additional 2022 Notes are expected to be assigned a rating of B2 by Moody’s Investors Service, or Moody’s, and B+ by Fitch Ratings, or Fitch. The Additional 2021 Notes are expected to be assigned a rating of B2 by Moody’s, B by Standard & Poor’s Ratings Services, or S&P, and B+ by Fitch. The ratings address our ability to perform our obligations under the terms of the Additional Notes and credit risks in determining the likelihood that payments will be made when due under the Additional Notes. Our Existing Notes are also similarly rated by some of these rating agencies. In addition, we have also been assigned a corporate family rating of B1 with a positive outlook by Moody’s, a rating of B+ with a positive outlook by Fitch and a rating of B+ with a positive outlook by S&P. 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, including as a result of the increase in our level of indebtedness. We have no obligation to inform holders of the Additional Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to us, the Additional Notes or the Existing Notes, as the case may be, may adversely affect the market price of the Additional 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 each series of the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company; or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Hong Kong Stock Exchange Listing Rules and subject to any requirements under such Listing Rules to obtain approval from independent shareholders. 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 Notes Trustee for any such transactions.

***Several initial investors may own a majority of one or more series of the Notes to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of such series of Notes. Additionally, this may reduce the liquidity of such series of Notes in the secondary trading market.***

Several initial investors may own a majority of one or more series of the Notes being offered under this offering memorandum. Any holder of a majority in aggregate principal amount of any series of Notes will have certain rights and powers under such Indenture and related documents. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of a series of Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee for the particular series or exercising any trust or power conferred on it or direct the Trustee to instruct the Collateral Agent to foreclose on the Collateral for the particular series. In addition, as described in “Description of 2020 Notes — Amendments and Waivers,” “Description of 2021 Notes — Amendments and Waivers” and “Description of 2022 Notes — Amendments and Waivers,” the Indentures, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended with the consent of the holders of a majority in aggregate principal amount of the relevant series of Notes, and any Default or Event of Default or compliance with any provision of such Indenture, the relevant series of Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) may be waived with the consent of the holders of a majority in aggregate principal amount of the relevant series of the outstanding Notes, subject in each case to certain exceptions. Accordingly, any holder that holds a majority in aggregate principal amount of an outstanding series of Notes will be able to exercise such rights and powers on behalf of all holders of such series of Notes and control the outcome of votes on such matters.

In addition, any holder that holds a significant percentage of a series of Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of such series of Notes. For example, holders of at least 25% in aggregate principal amount of each series of Notes may declare all of such series of Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

Additionally, the existence of any such significant holder may reduce the liquidity of the relevant series of Notes in the secondary trading market. If such holder sells a material portion of any series of the Notes at any one time, it may materially and adversely affect the trading price of the Notes.

***The liquidity and price of the Additional Notes following their issuance may be volatile.***

The price and trading volume of the Additional 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 Additional Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Additional 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 may differ in material respects from other GAAPs, which may in turn be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial information and 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 advisors for an understanding of the differences between HKFRS and any 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, and such standards may be different from those applicable to debt securities listed in certain other countries.***

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will be subject to continuing listing obligations in respect of the Notes. 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 holders of the Notes are accustomed to.

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

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

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 and minority-owned companies will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of PRC or their future PRC or non-PRC subsidiaries and minority-owned companies will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. In addition, certain of our offshore subsidiaries

are permitted to not guarantee the Notes and have their capital stock pledged to secure the Notes. See “— Risks Relating to the Notes — Certain of our offshore Restricted Subsidiaries will be permitted to not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee, and their shares will not be required to be pledged for the benefit of the holders of the Notes.” As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such subsidiaries and companies. See the sections entitled “Description of 2020 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees,” “Description of 2021 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” and “Description of 2022 Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future Non-Guarantor Subsidiaries, including our PRC subsidiaries. Neither will the Collateral include the capital stock of any JV Subsidiary Guarantor.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. In addition, the Subsidiary Guarantors also guarantee our obligations under the certain of our Existing Notes and certain of our bank loans. 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 and the Existing 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.”

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, or purchase from, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such 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. We will not pledge any capital stock of a JV Subsidiary Guarantor as Collateral for the Notes.

***Subsidiary Guarantees and JV Subsidiary Guarantees may be released under certain circumstances.***

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 but not limited to when such Subsidiary Guarantor or a JV Subsidiary Guarantor no longer guarantees any Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness.

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

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

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of 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, the British Virgin Islands and other jurisdictions at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of shares or 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 risk factor 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 will likely not be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness.***

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

The ability of the Collateral Agent, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an event of default or otherwise will be subject to the terms of the Intercreditor Agreement and the Security Documents as well as 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 Collateral Agent or holders of the Notes will be able to enforce the security interest. In addition, although the Notes Trustee may instruct the Collateral Agent to foreclose the Collateral upon the occurrence of an event of default that is continuing, such instruction may be overruled by a contrary instruction to the Collateral Agent from holders of more than 50% of the indebtedness that is subject to the Intercreditor Agreement.

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 shares or 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.

Subject to the Intercreditor Agreement, the Collateral will be shared on a *pari passu* basis by the holders of the Notes and the holders of the Existing Pari Passu Secured Indebtedness and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes and the holders of future *pari passu* secured debt that we may issue in the future. Accordingly, in the event of a default on the Notes or the Existing Pari Passu Secured Indebtedness, 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 Existing Pari Passu Secured Indebtedness 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 Existing Pari Passu Secured Indebtedness and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and the Existing Pari Passu Secured Indebtedness 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 Indentures and each of the indentures governing the Existing Pari Passu Secured Indebtedness.



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

The Collateral Agent is required to take action to enforce the Collateral in accordance with the instructions of holders of the Notes given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect our entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Existing Pari Passu Secured Indebtedness, the holders of the Notes and creditors of other Permitted Pari Passu Secured Indebtedness must decide whether to take any enforcement action and thereafter, through their respective trustee or agent, may instruct the Collateral Agent to take such enforcement action. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement and as trustee and agent in respect of the Existing Pari Passu Secured Indebtedness. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the Notes and the holders of the Existing Pari Passu Secured Indebtedness. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes or the Existing Pari Passu Secured Indebtedness, unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral Agent against any loss, liability, cost or expense.

***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 Indentures, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks. In addition, all or a portion of the Collateral may be released at any time either upon (i) the repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors under the Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness, or (ii) the prior or concurrent release of the Lien on such Collateral securing all Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness; *provided* that in each case, no default has occurred and is continuing on such date or no default would have occurred as a result of such release.

## **USE OF PROCEEDS**

We intend to use the net proceeds primarily for refinancing of existing indebtedness with the remainder for general corporate purposes.

## EXCHANGE RATE INFORMATION

### China

PBOC 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. 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. In June 2010, the PBOC announced that it intended to further reform the RMB exchange rate regime by allowing greater flexibility in the RMB exchange rate, and on April 16, 2012 the band was further expanded to 1.0% and to 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 the trading against the Renminbi on the following working day. On 11 August 2015, the PBOC announced plans to improve the central parity rate of the Renminbi 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 Renminbi against the U.S. dollar depreciated by nearly 2.0% as compared to 10 August 2015, and further depreciated by nearly 1.6% on 12 August 2015 as compared to 11 August 2015. The International Monetary Fund announced on 30 September 2016 that the Renminbi joins 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 following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

Period	Exchange Rate			
	Period End	Average <sup>(1)</sup>	High	Low
		(RMB per US\$1.00)		
2013 . . . . .	6.0537	6.1412	6.2438	6.0537
2014 . . . . .	6.2046	6.1740	6.2591	6.0402
2015 . . . . .	6.4778	6.2896	6.4896	6.1870
2016 . . . . .	6.9430	6.6400	6.9580	6.4480
2017 . . . . .	6.5063	6.7564	6.9060	6.5063
2018 . . . . .	6.8755	6.6090	6.9737	6.2649
August . . . . .	6.8300	6.8453	6.9330	6.8018
September . . . . .	6.8680	6.8551	6.8880	6.8270
October . . . . .	6.9737	6.9191	6.9737	6.8680
November . . . . .	6.9558	6.9367	6.9558	6.8894
December . . . . .	6.8755	6.8837	6.9077	6.8343
2019 . . . . .				
January (through January 11, 2019) . . . . .	6.7596	6.8322	6.8708	6.7596

Source: Federal Reserve H.10 Statistical Release

Note:

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

## Hong Kong

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

The market exchange rate of the 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. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.80 to US\$1.00 or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in H.K. dollars set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

Period	Exchange Rate			
	Period End	Average <sup>(1)</sup>	High	Low
		(HK\$ per US\$1.00)		
2013 . . . . .	7.7539	7.7565	7.7654	7.7503
2014 . . . . .	7.7531	7.7554	7.7669	7.7495
2015 . . . . .	7.7507	7.7519	7.7686	7.7495
2016 . . . . .	7.7534	7.7620	7.8270	7.7505
2017 . . . . .	7.8128	7.7949	7.8267	7.7540
2018 . . . . .	7.8305	7.8376	7.8499	7.8043
August . . . . .	7.8486	7.8492	7.8499	7.8482
September . . . . .	7.8259	7.8364	7.8496	7.8080
October . . . . .	7.8393	7.8375	7.8433	7.8260
November . . . . .	7.8244	7.8286	7.8365	7.8205
December . . . . .	7.8305	7.8194	7.8321	7.8043
2019 . . . . .				
January (through January 11, 2019) . . . . .	7.8393	7.8358	7.8393	7.8308

Source: Federal Reserve H.10 Statistical Release

Note:

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

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated cash, short-term borrowings, long-term borrowings, equity and capitalization as of June 30, 2018:

- on an actual basis; and
- on an adjusted basis after giving effect to the issue of the Additional Notes in this offering with an aggregate principle amount of US\$3 billion, taking into account discounts to the issue price and the accrual of interests for the Additional Notes as detailed on page 8 of this offering memorandum, and before deducting the underwriting commissions and other estimated expenses in connection with this offering payable by us. No HKFRS accounting treatment of the proceeds of this offering has been considered and the presentation may be different had HKFRS been followed.

Since June 30, 2018, we have incurred additional debt in the ordinary course of business to finance our operations and also for refinancing purposes. Subsequent to June 30, 2018 and up to January 18, 2018, we incurred additional borrowings (net of repayments) in the aggregate amount of less than RMB30 billion. See “Description of Material Indebtedness and Other Obligations.”

The as-adjusted information below is illustrative only and does not take into account any changes in our cash, short-term borrowings, long-term borrowings, equity and capitalization after June 30, 2018.

	As of June 30, 2018			
	Actual		As adjusted for this offering <sup>(1)</sup>	
	RMB	USD	RMB	USD
	(in millions)			
<b>Cash:</b>				
Restricted cash . . . . .	101,390	15,322	101,390	15,322
Cash and cash equivalents . . . . .	156,554	23,659	175,889	26,581
<b>Total cash . . . . .</b>	<b>257,944</b>	<b>38,981</b>	<b>277,279</b>	<b>41,903</b>
<b>Short-term borrowings<sup>(2)</sup>:</b>				
Bank borrowings . . . . .	53,795	8,130	53,795	8,130
Other borrowings . . . . .	47,768	7,219	47,768	7,219
Current portion of non-current borrowings . . . . .	196,888	29,754	196,888	29,754
<b>Total short-term borrowings . . . . .</b>	<b>298,451</b>	<b>45,103</b>	<b>298,451</b>	<b>45,103</b>
<b>Long-term borrowings<sup>(2)</sup>:</b>				
Bank borrowings . . . . .	197,761	29,886	197,761	29,886
Other borrowings . . . . .	256,015	38,690	256,015	38,690
PRC corporate bonds . . . . .	45,470	6,872	45,470	6,872
Convertible Bonds <sup>(3)</sup> . . . . .	11,812	1,785	11,812	1,785
Senior notes <sup>(6)</sup> . . . . .	58,508	8,842	58,508	8,842
Less: current portion of non-current borrowings . . . . .	(196,888)	(29,754)	(196,888)	(29,754)
Additional Notes to be issued <sup>(4)</sup> . . . . .	—	—	19,335	2,922
<b>Total long-term borrowings . . . . .</b>	<b>372,678</b>	<b>56,321</b>	<b>392,013</b>	<b>59,243</b>
<b>Total borrowings . . . . .</b>	<b>671,129</b>	<b>101,424</b>	<b>690,464</b>	<b>104,346</b>
<b>Equity:</b>				
Non-controlling interests . . . . .	178,759	27,015	178,759	27,015
Equity attributable to shareholders of the Company . . . . .	145,767	22,029	145,767	22,029
<b>Total equity . . . . .</b>	<b>324,526</b>	<b>49,044</b>	<b>324,526</b>	<b>49,044</b>
<b>Total capitalization<sup>(5)</sup> . . . . .</b>	<b>697,204</b>	<b>105,365</b>	<b>716,539</b>	<b>108,287</b>

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*Notes:*

- (1) The as-adjusted data shown above does not take into account the application of the proceeds from this offering to repay existing indebtedness.
- (2) We have, since June 30, 2018, in the ordinary course of business, entered into additional financial arrangements to finance our operations, for refinancing and other general corporate purposes, which are not reflected in the table above. We will continue to enter into short-term and long-term borrowings and other financing arrangements in the ordinary course of business.
- (3) On February 14, 2018, we issued convertible bonds in an aggregate principal amount of HK\$18,000 million.
- (4) The aggregate principal amount of the Additional Notes, without taking into account and before deducting the underwriting discounts and commissions and other estimated expenses of this offering payable by us, has been translated at the rate of HK\$7.8463 to US\$1.00 and RMB6.6171 to US\$1.00 as of June 29, 2018. No HKFRS accounting treatment of the proceeds of this offering has been considered and the presentation may be different had HKFRS been followed.
- (5) Total capitalization is calculated as total long term borrowings plus total equity.
- (6) On November 6, 2018, Scenery Journey Limited, our indirect subsidiary, issued the November 2020 Notes, the November 2022 Notes and the November 2023 Notes of US\$1.8 billion in aggregate. On November 23, 2018, Scenery Journey Limited further issued additional US\$1 billion notes due 2020, to be consolidated and form a single series with the November 2020 Notes. On December 27, 2018, we issued the 2020 Private Notes with an aggregate principal amount of US\$100 million.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our borrowings since June 30, 2018.



## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our selected financial and other data. The selected consolidated financial data as of and for each of the fiscal years ended December 31, 2015, 2016 and 2017 (except for EBITDA data) are derived from our audited consolidated financial statements for the years ended December 31, 2016 and 2017. The selected consolidated financial data as of and for the six months ended June 30, 2017 and 2018 (except for EBITDA data) is derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2018. The selected financial data below should be read in conjunction with our financial statements, including notes thereto, which are not included in the offering memorandum. The unaudited interim consolidated financial information as of and for the six months ended June 30, 2018 should not be taken as an indication of the expected business, financial condition and results of operations for the full year ending December 31, 2018. The Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results in future years.

Our financial information has been prepared and presented in accordance with HKFRS, which differs in certain material respects from GAAP in other jurisdictions.

## Selected Consolidated Statement of Comprehensive Income and Other Financial Data

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
			(unaudited)		(unaudited)	(unaudited)	
			(in millions)				
Revenue . . . . .	133,130	211,444	311,022	47,003	187,981	300,348	45,390
Cost of sales . . . . .	(95,717)	(152,022)	(198,760)	(30,037)	(120,677)	(191,489)	(28,939)
<b>Gross profit . . . . .</b>	<b>37,413</b>	<b>59,422</b>	<b>112,262</b>	<b>16,965</b>	<b>67,304</b>	<b>108,859</b>	<b>16,451</b>
Fair value gains on investment properties . . . . .	12,859	5,124	8,513	1,287	6,001	1,347	204
Other gains . . . . .	323	6,986	(6,022)	(910)	(7,023)	2,471	373
Other income . . . . .	2,262	4,937	5,547	838	2,520	4,395	664
Selling and marketing costs . . . . .	(13,325)	(15,983)	(17,210)	(2,601)	(7,824)	(9,334)	(1,411)
Administrative expenses . . . . .	(6,139)	(9,598)	(12,246)	(1,851)	(5,430)	(6,593)	(996)
Other operating expenses . . . . .	(1,077)	(2,663)	(5,599)	(846)	(2,051)	(3,562)	(538)
<b>Operating profit . . . . .</b>	<b>32,316</b>	<b>48,225</b>	<b>85,245</b>	<b>12,883</b>	<b>53,497</b>	<b>97,583</b>	<b>14,747</b>
Gain on financial assets at fair value through profit or loss . . . . .	2,515	141	(437)	(66)	(266)	(428)	(65)
Fair value gain/(loss) on derivative financial liabilities . . . . .	—	—	(820)	(124)	—	1,203	182
Finance costs . . . . .	(2,994)	(11,301)	(7,917)	(1,196)	(5,151)	(6,219)	(940)
Share of (losses)/profit of investments accounted for using the equity method . . . . .	(392)	(203)	1,402	212	263	1,051	159
<b>Profit before income tax . . . . .</b>	<b>31,445</b>	<b>36,862</b>	<b>77,473</b>	<b>11,708</b>	<b>48,343</b>	<b>93,190</b>	<b>14,083</b>
Income tax expenses . . . . .	(14,105)	(19,245)	(40,424)	(6,109)	(25,216)	(40,164)	(6,070)
<b>Profit for the year/period . . . . .</b>	<b>17,340</b>	<b>17,617</b>	<b>37,049</b>	<b>5,599</b>	<b>23,127</b>	<b>53,026</b>	<b>8,013</b>
<b>Other comprehensive income</b>							
Change in value of available-for-sale financial assets . . . . .	30	(3,039)	2,165	327	2,435	(354)	(53)
Share of other comprehensive income of investments accounted for using the equity method . . . . .	—	(2,688)	2,391	361	2,017	78	12
Currency translation differences . . . . .	—	835	(695)	(105)	(241)	184	28
<b>Total comprehensive income for the year/period . . . . .</b>	<b>17,370</b>	<b>12,725</b>	<b>40,910</b>	<b>6,182</b>	<b>27,338</b>	<b>52,934</b>	<b>8,000</b>
<b>Profit attributable to:</b>							
Shareholders of							
the Company . . . . .	10,460	5,091	24,372	3,683	18,834	30,805	4,655
Holders of perpetual capital instruments . . . . .	5,088	10,646	—	—	—	—	—
Non-controlling interests . . . . .	1,792	1,880	12,677	1,916	4,293	22,221	3,358
	17,340	17,617	37,049	5,599	23,127	53,026	8,013
<b>Total comprehensive income attributable to:</b>							
Shareholders of							
the Company . . . . .	10,490	199	27,432	4,146	22,028	30,777	4,651
Holders of perpetual capital instruments . . . . .	5,088	10,646	—	—	—	—	—
Non-controlling interests . . . . .	1,792	1,880	13,478	2,037	5,310	22,157	3,348
	17,370	12,725	40,910	6,182	27,338	52,934	8,000
Dividends . . . . .	5,262	—	—	—	—	—	—
EBITDA . . . . .	25,083	55,738	92,975	14,051	56,459	113,598	17,167
EBITDA margin . . . . .	18.8%	26.4%	29.9%	29.9%	30.0%	37.8%	37.8%

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*Notes:*

- (1) EBITDA for any period consists of profit from operating activities before fair value gains on investment properties, interest income from non-current receivables, exchange gains/(losses) plus income tax expenses, depreciation, share option amortization, amortization of intangible assets and land use rights and interest expense. 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. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year/period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indentures governing the Notes. Interest expense excludes amounts capitalized. See the sections entitled "Description of 2020 Notes — Definitions," "Description of 2021 Notes — Definitions" and "Description of 2022 Notes — Descriptions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

## Selected Consolidated Balance Sheet Data

	As of December 31,				As of June 30,	
	2015	2016	2017		2018 <sup>(1)</sup>	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(unaudited)	(unaudited)	(unaudited)	(unaudited)
			(in millions)			
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment . . . . .	16,720	20,833	32,898	4,972	35,816	5,413
Land use rights . . . . .	3,625	5,401	7,935	1,199	8,083	1,222
Investment properties . . . . .	97,146	132,045	151,950	22,963	158,582	23,965
Properties under development . . . . .	248	—	—	—	—	—
Trade and other receivables . . . . .	10,730	9,342	4,352	658	1,801	272
Prepayments . . . . .	1,038	2,754	1,202	182	1,506	228
Intangible assets . . . . .	372	241	253	38	275	42
Investment accounted for using the equity method . . . . .	8,580	24,374	30,376	4,591	45,336	6,851
Financial assets at fair value through other comprehensive income . . . . .	—	—	—	—	2,056	311
Available-for-sale financial assets . . . . .	2,595	36,805	4,565	690	—	—
Deferred income tax assets . . . . .	2,752	4,036	3,872	585	3,583	541
Goodwill . . . . .	885	1,402	1,402	212	1,595	241
<b>Total non-current assets . . . . .</b>	<b>144,691</b>	<b>237,233</b>	<b>238,805</b>	<b>36,089</b>	<b>258,633</b>	<b>39,086</b>
<b>Current assets</b>						
Available-for-sale financial assets . . . . .	—	—	1,520	230	—	—
Inventories . . . . .	1,311	230	126	19	—	—
Properties under development . . . . .	329,610	577,851	851,363	128,661	830,414	125,495
Completed properties held for sale . . . . .	54,118	80,776	102,158	15,438	127,643	19,290
Trade and other receivables . . . . .	21,708	76,434	120,782	18,253	130,072	19,657
Contract costs . . . . .	—	—	—	—	1,994	301
Prepayments . . . . .	37,137	62,747	146,923	22,204	151,384	22,878
Income tax recoverable . . . . .	4,131	7,665	9,203	1,391	9,862	1,490
Financial assets at fair value through profit or loss . . . . .	307	3,603	3,150	476	1,942	293
Restricted cash . . . . .	60,932	105,909	135,714	20,510	101,390	15,322
Cash and cash equivalents . . . . .	103,090	198,420	152,008	22,972	156,554	23,659
<b>Total current assets . . . . .</b>	<b>612,344</b>	<b>1,113,635</b>	<b>1,522,947</b>	<b>230,153</b>	<b>1,511,255</b>	<b>228,386</b>
<b>Total assets . . . . .</b>	<b>757,035</b>	<b>1,350,868</b>	<b>1,761,752</b>	<b>266,242</b>	<b>1,769,888</b>	<b>267,472</b>
<b>EQUITY</b>						
<b>Capital and reserves attributable to shareholders of the Company</b>						
Share capital and premium . . . . .	971	1,006	1,270	192	1,312	198
Reserves . . . . .	7,637	4,739	57,292	8,658	58,087	8,778
Retained earnings . . . . .	42,398	38,495	56,210	8,495	86,368	13,052
Perpetual capital instruments . . . . .	51,006	44,240	114,772	17,345	145,767	22,029
Non-controlling interests . . . . .	75,737	112,944	—	—	—	—
<b>Total equity . . . . .</b>	<b>142,142</b>	<b>192,532</b>	<b>242,208</b>	<b>36,603</b>	<b>324,526</b>	<b>49,044</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Borrowings . . . . .	138,162	332,164	376,244	56,859	372,678	56,320
Financial derivative liabilities . . . . .	—	—	2,840	429	5,090	769
Other payables . . . . .	2,481	54,354	4,049	612	1,025	155
Deferred income tax liabilities . . . . .	17,569	38,424	51,556	7,791	47,972	7,250
<b>Total non-current liabilities . . . . .</b>	<b>158,212</b>	<b>424,942</b>	<b>434,689</b>	<b>65,692</b>	<b>426,765</b>	<b>64,494</b>
<b>Current liabilities</b>						
Borrowings . . . . .	158,744	202,906	356,381	53,858	298,451	45,103
Trade and other payables . . . . .	191,309	299,905	399,459	60,368	454,410	68,672
Contract liabilities . . . . .	—	—	—	—	176,531	26,678
Receipt in advance from customers . . . . .	83,061	194,961	267,555	40,434	—	—
Current income tax liabilities . . . . .	23,567	35,622	61,460	9,288	89,205	13,481
<b>Total current liabilities . . . . .</b>	<b>456,681</b>	<b>733,394</b>	<b>1,084,855</b>	<b>163,947</b>	<b>1,018,597</b>	<b>153,934</b>
<b>Total liabilities . . . . .</b>	<b>614,893</b>	<b>1,158,336</b>	<b>1,519,544</b>	<b>229,639</b>	<b>1,445,362</b>	<b>218,428</b>
<b>Total equity and liabilities . . . . .</b>	<b>757,035</b>	<b>1,350,868</b>	<b>1,761,752</b>	<b>266,242</b>	<b>1,769,888</b>	<b>267,472</b>
<b>Net current assets . . . . .</b>	<b>155,663</b>	<b>380,241</b>	<b>438,092</b>	<b>66,206</b>	<b>492,658</b>	<b>74,452</b>
<b>Total assets less current liabilities . . . . .</b>	<b>300,354</b>	<b>617,474</b>	<b>676,897</b>	<b>102,295</b>	<b>751,291</b>	<b>113,538</b>

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*Note:*

- (1) In preparing the unaudited condensed consolidated interim financial information for the six months ended June 30, 2018, the Group has adopted HKFRS 9 and HKFRS 15 with effect from January 1, 2018 and has not restated prior years' consolidated financial statements. Therefore, the unaudited condensed consolidated interim financial information for the six months ended June 30, 2018 is not comparable with the consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017. For the impact of the adoption of HKFRS 9 and HKFRS 15, please refer to Note 4 to the unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2018 included elsewhere in this offering memorandum.

## 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," our consolidated financial statements and interim condensed consolidated financial information, 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 and interim condensed consolidated financial information were prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2015," "2016" and "2017" refer to our fiscal years ended December 31, 2015, 2016 and 2017, respectively.*

### Overview

We are the largest real estate development company in China in terms of contracted sales attributable to the Group and land reserves in 2017, according to China Real Estate Information Corporation and the land reserve data disclosed by relevant companies in their applicable stock exchange filings. Founded in Guangzhou City, Guangdong Province in 1996, we have become a leading national property developer through our economies of scale and widely recognized brand name, under the leadership of our management team. Over the years, our focus on a centralized management system, a standardized operational model and quality products have allowed us to quickly replicate our success across China. We focus primarily on provincial capitals and other selected cities that we believe have high-growth potential. We continue to improve our geographical mix by focusing on replenishment of quality land reserves and taking a balanced approach to the distribution of land reserves among first-, second- and third-tier cities. Our land reserves cover most of the provincial capitals and municipalities in China. Through our standardized operational model, we have been able to simultaneously manage projects in various development and sale stages in 228 cities across China as of June 30, 2018.

Our residential property development integrates planning, design, construction and property management and follows our standardized process management to ensure development speed and product quality. We have been awarded the highest recognition in China in real estate development, architectural planning and design, construction, construction supervision and property management, and have been ranked among the "Top 10 Property Developers of China" for 14 consecutive years since 2004 by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center and China Index Academy. We ranked as No. 2 of the "Top 500 Real Estate Companies of China" for six consecutive years since 2011, No. 1 of the "Top 10 Real Estate Companies of China" in 2017 and No. 1 of the "Top 100 Real Estate Companies of China" in 2018. We were also ranked 230th on Fortune Global 500 in 2018.

We had the largest land reserves among all PRC property developers listed in China and Hong Kong as of June 30, 2018, based on the land reserve data disclosed by relevant companies in their applicable stock exchange filing. We had a total of 822 property projects under development or held for future development, a total planned GFA of approximately 305 million sq.m. of high-quality and relatively low-cost land as of June 30, 2018 with an average cost of approximately RMB1,683 per square meter, as calculated by dividing our aggregate land purchase price by our aggregate planned GFA. As of June 30, 2018, we had an aggregate of approximately RMB107.8 billion outstanding land premiums.



Over the years, we have developed and introduced various distinctive product series to the market, including:

- *Mid- to mid-high-end series* represented by products within our Evergrande Oasis (恒大綠洲) series, Evergrande Metropolis (恒大名都) series, Evergrande City (恒大城) series, Evergrande Atrium (恒大雅苑) series, Evergrande Royal Scenic Bay (恒大御景灣), Evergrande Emerald Court (恒大翡翠華庭) series, Evergrande Bay (恒大江灣) series, Evergrande Plaza (恒大廣場) series and Evergrande Bund (恒大外灘) series which we target to account for approximately 85% of our current projects, and are marketed toward middle to upper-middle income residents, who currently constitute the largest segment of residential real estate purchasers. Evergrande Metropolis and Evergrande City are urban residential complexes in major cities, while Evergrande Oasis and Evergrande Atrium are located in areas with the requisite natural landscape. These series are equipped with well-developed facilities and amenities within the complexes.
- *High-end series* represented by products within our Evergrande Palace (恒大華府) series, Evergrande Royal Scenic Peninsula (恒大御景半島) series, Evergrande Emperor Scenic (恒大帝景) series and Evergrande Royal Scenic (恒大御景) series, which we target to account for approximately 15% of our current projects, and are positioned as high-end and premium residential properties in urban centers. These series target high-income residents in such regions.
- Our tourism related business, mainly consisting of Evergrande Venice on the Sea Qidong Project (啟東恒大海上海威爾斯項目) and the Hainan Ocean Flower Island Project (中國海南海花島項目). Through these projects, we focus on developing large-scale cultural tourism projects catering tourists and vacation house owners, including large-scale facilities, such as man-made islands, beaches, Evergrande Fairyland Theme Park (恒大童世界), recreation and shopping facilities, large-scale hotels, as well as large conference centers able to accommodate thousands of conference attendees.

We design and develop all of our product series under our standardized operational model and market them under the brand name of “Evergrande” on a nationwide basis.

We strive to provide high-quality residential products to the market by focusing on every step of the development process, from site selection, planning, landscaping and construction to fitting-out and property management. We aim to deliver “best-in-class” end-products to our customers. Over years, our products have gained wide brand recognition among consumers, as reflected by our strong contracted sales and sales records. For the years ended December 31, 2015, 2016, 2017 and 2018, our total contracted sales, which have not been audited or reviewed by our auditors, amounted to approximately RMB201.3 billion, RMB373.4 billion, RMB501.0 billion (US\$75.7 billion) and RMB551.3 billion (US\$83.3 billion), respectively, with a total contracted sales GFA of approximately, 25.5 million sq.m., 44.7 million sq.m., 50.3 million sq.m. and 52.4 million sq.m., respectively. The average selling price for our contracted sales in 2018 was RMB10,515 per square meter, as calculated based on our internal records.

Leveraging our strengths in the property industry, we have taken significant initiatives or made investments to expand into industries including tourism and culture, healthcare, new energy vehicle, high technology as well as banking and insurance with a view to establishing alternative revenue sources and diversifying our business portfolio.

## **Key Factors Affecting Our Results of Operations**

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

Economic growth, urbanization and the rising standard of living in China have been the main driving forces behind the increasing market demand for residential properties. Since the second half of 2008, the global economic slowdown and turmoil in the global financial markets have adversely impacted the overall economy of China, including the PRC real estate market, from which the overwhelming majority of our revenues are generated. Global economic conditions have exhibited signs of a slow recovery in recent years, and economic conditions and volatility of property prices may continue to impact our business and results of operations. At the current stage of PRC economic development, the real estate industry is significantly dependent on the overall economic growth and the resultant consumer demand for residential properties. Because we primarily target middle to upper-middle income level residents, we believe that private sector development and urbanization in China are especially important to our operations. These factors will continue to have a significant impact on the number of potential property buyers and the pricing and profitability of residential properties, which directly affect our results of operations.

### ***Regulatory Measures in the Real Estate Industry in China***

PRC governmental policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land supply, pre-sale of properties, land usage, plot ratio, bank financing and taxation. Prior to the second half of 2008, the PRC government had implemented a series of measures to slow down the growth of the economy, including the property markets. Starting from the second half of 2009, in response to an increase in property prices across the country, the PRC government announced a series of new policies and adopted new measures to prevent overheating and curtail speculation in the property market, including imposing more stringent requirements on the payment of land premiums by property developers and mortgage financing minimum down payment amounts, limiting the number of residential properties one household can purchase as well as abolishing certain preferential business tax treatment upon transfer of residential properties and commencing a trial run in levying property tax in Shanghai and Chongqing. The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 20 cities in 2010. On January 26, 2011, the General Office of the State Council issued a circular which raised the minimum down payment for second house purchases from 50% to 60%. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. On February 26, 2013, the General Office of the State Council issued several property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes, and increasing down payment ratios and interest rates for loans to purchase second properties for those cities with excessive growth in housing prices. Regulations were also promulgated at various levels to promote affordable housing. Since June 2014, many cities, including those where our property projects are located, have lifted or eased the limitation on the purchase of commercial properties. In 2015, the MOF also expanded a business tax exemption to include sellers who have owned their home for as little as two years, rather than the previous minimum of five years. On February 1, 2016, the PBOC and the CBRC issued a notice that mandates a minimum down payment of 25% and permits local policies to decrease 5% from that, and for a household that owns a residential property and has not paid off its existing mortgage loan, the minimum down payment will be 30%. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations.

In addition, the PRC government may adopt additional or more stringent policies, regulations and measures in the future with respect to China's real estate industry. For instance, the PRC government has reformed regulations replacing the business tax, which is levied on the total revenue of a company, with a value-added tax, which assesses increments of new value created by a company, for the real estate sector in 2016. In the future, the PRC government may also impose a nationwide real estate tax. Since we do not know when or whether such tax reforms will take place or what their impact will be on our business, operations and financial results, such as generating additional costs for us, these policy changes may adversely affect our business, financial condition or results of operations. You should refer to the sections entitled "Industry Overview — China's Property Market — Real Estate Reforms" and "Regulation" for more details on the relevant PRC regulations.

#### ***Ability to Acquire Suitable Land***

Our continuing growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. As the PRC economy continues to grow and demand for residential properties remains relatively strong, we expect that competition among developers for land reserves will remain intense as well. In addition, the statutory means of public tender, auction and listing-for-sale for the grant of state-owned land use rights are also likely to increase competition for land for development, land acquisition costs and the minimum down-payment of land premium.

#### ***Timing of Property Development***

The number of property projects that we undertake during any particular period is limited due to substantial capital requirements for land acquisition and construction costs as well as limited land supply. In addition, significant time is required for the development of property projects and it may take many months or even years before the commencement of pre-sale or completion and delivery of a property project. No revenue is recognized with respect to a property project until it has been completed and delivered to the customers. In addition, as market demand is not stable, revenue in a particular period may also depend on our ability to gauge the expected market demand at the expected launch time for completion and delivery of a particular project, while delays in construction, regulatory approval processes and other factors can adversely affect the timetable of our projects. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

#### ***Land and Construction Costs***

Our results of operations are affected by land and construction costs. Land and construction costs constitute the most important items in our cost of sales. Over the years, land premiums have been steadily increasing in China. It is widely expected that land premiums will continue to rise as the PRC economy continues to develop. Key construction materials such as steel and cement are included in the fees payable to our construction contractors. Although short-term price volatility of these materials does not affect us immediately, changes in costs of construction materials will cause contractors to change their fee quote, thus impacting our cost of sales and overall project costs. If we cannot sell our properties at a price level sufficient to cover all the increased costs, we will not be able to achieve our target profit margin and our profitability will be adversely impacted.

#### ***Product Mix of Our Properties***

We derive our revenue mainly from the sale of properties. Over the years, we have developed and introduced various product series to the market, targeting a broad customer base. Our results of operations and cash flows generated from operating activities may vary from period to period depending on the product mix and average selling price for different types of products. In addition, our results of operations and cash flow generated from operating activities may also vary depending on the market demand at the time we sell our properties. The revenue we receive from our property development depends on local market prices, which in turn depend on local supply and demand conditions, as well as the type of property being developed.

### ***Access to and Cost of Financing***

Borrowings are an important source of funding for our property developments. As of December 31, 2015, 2016 and 2017 and June 30, 2018, our outstanding borrowings amounted to RMB296,906 million, RMB535,070 million, RMB732,625 million and RMB671,129 million (US\$101,423 million), respectively. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. In addition, our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property developments as well as conditions in overseas capital markets.

### ***LAT***

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real estate development in China, irrespective of whether they are corporate entities or individuals. According to the relevant LAT laws and regulations in China, provisions of LAT should be made upon recognition of revenue and fair value gains on certain investment properties presumed to be recovered entirely by sale. For the years ended 2015, 2016 and 2017 and the six months ended June 30, 2018, we made LAT provisions of RMB5,916 million, RMB8,824 million, RMB18,151 million (US\$2,743 million) and RMB17,962 million (US\$2,714 million), respectively. Although we believe we have made all prepayments and/or full provisions for LAT in compliance with the relevant LAT laws and regulations in China as interpreted and enforced by the relevant local tax authorities, we cannot assure you that the relevant tax authorities will agree to 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 the tax authorities may ultimately impose on us. Our financial condition may be materially and adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our provisions. We have provided more details on the PRC regulations on LAT in the section entitled “Regulation — PRC Taxation — Our Operations in Mainland China — Land Appreciation Tax.”

### ***Fair Value of Investment Properties***

Our investment properties include our retail spaces and parking spaces held for rental income and/or for capital appreciation. Our investment properties are stated at their fair value on our consolidated balance sheets as non-current assets as of each balance sheet date on the basis of valuations by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated income statements, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow available for our operations or potential dividend distribution to our shareholders. The amounts of fair value adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions in China and may increase or decrease. We cannot assure you that similar levels of fair value gains can be sustained in the future.

### ***Our Business Diversification Plans***

We have taken significant initiatives or made investments to expand into industries including tourism and culture, healthcare, new energy vehicle, high technology as well as banking and insurance with a view to establishing alternative revenue sources. For more information, see the section entitled “Business — Business Overview.” These new business activities are categorized under our “other business” segment. We envision that we will continue to make investments as part of our diversification

strategy, and our revenue contribution from other business segment will continue to grow. Our diversification in general will require a significant amount of capital investment and management attention, and we may experience risks and uncertainties in new industries that we do not have significant experience in. See “Risk Factors — Risks Relating to Our Business — We have started expanding our operations into other industries, and such expansion may not be successful.”

### ***Fluctuation in Foreign Currency Exchange Rate***

Substantially all of our revenues and expenses are denominated in Renminbi. Our exposure to foreign exchange rate fluctuations results primarily from our indebtedness denominated in foreign currencies, primarily the U.S. dollar. For the six months ended June 30, 2018, our exchange losses from borrowings amounted to RMB1,710 million (US\$258 million), and for the six months ended June 30, 2017, our exchange gains from borrowings amounted to RMB4 million.

### **Critical Accounting Policies**

We prepare our interim condensed consolidated financial information and our annual consolidated financial statements under the historical cost convention as modified for the revaluation of certain investment properties, and available-for-sale investments in accordance with HKFRS. HKFRS requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities at the end of each fiscal period and (ii) the reported amounts of income and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of our current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our interim condensed consolidated financial information and our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our interim condensed consolidated financial information and our annual consolidated financial statements.

#### ***Revenue recognition***

Revenue comprises primarily the proceeds from property development, property investment, property management services and other businesses after the elimination of intra-group transactions. Revenue from property sales is recognized when the construction has been completed and the properties have been delivered to the purchasers with the collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in our consolidated balance sheets as “receipt in advance from customers” under current liabilities. Revenues arising from property management are recognized in the accounting period in which the services are rendered. Rental income from investment properties are recognized on a straight-line basis for the entire lease term of each tenancy agreement.

#### ***Investment Properties***

Properties that are held for long-term rental income or for capital appreciation or both, and that are not occupied by us, are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are classified as investment properties. Investment properties are measured initially at their cost. After initial recognition, investment properties are carried at fair value. Fair value is based on the current prices in an active market for the properties with similar

leases and other contracts, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

### ***Properties under Development***

For accounting purposes, properties under development include only properties in respect of which we have obtained the relevant land use rights certificates and the relevant construction permits. Properties under development are stated at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost to completion. Development cost of property comprises construction costs, costs of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale. Properties under development are classified as current assets except those that will not be realized in one normal operating cycle.

### ***Completed Properties Held for Sale***

Completed properties remaining unsold at the end of each financial reporting period are stated at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

### ***Borrowings***

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualified assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

### ***LAT***

We are subject to LAT in China. However, the implementation and settlement of these taxes vary among various tax jurisdictions in cities of the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. We recognize our LAT based on our best estimates according to our understanding of the tax rules. The final LAT could be different from the amounts that were initially recorded, and these differences will impact our income tax in the periods when such LAT has been finalized with local tax authorities.

### ***Enterprise Income Taxes and Deferred Taxation***

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period when such determination is made.



Deferred income tax assets are recognized to the extent that our management believes it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. 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 realized or the deferred income tax liability is settled.

### ***Financial Guarantee***

Financial guarantee liabilities are recognized in respect of the financial guarantee we provide to banks for property purchasers and to certain of our investors. Financial guarantee liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities and are subsequently measured at the higher of the present value of the best estimate of the expenditures required to settle the present obligation and the amount initially recognized less cumulative amortization.

Financial guarantee liabilities are derecognized from the balance sheet when, and only when, the obligation specified in the contract is discharged, canceled or expired.

### **Certain Income Statement Items**

#### ***Revenue***

We derive our revenue primarily from property development, property investment, property management services and other businesses. We recognize our revenue after the properties have been sold and delivered. As customary in the residential property industry, we pre-sell our properties prior to their completion in accordance with PRC pre-sale regulations. We do not, however, recognize the proceeds from pre-sales as revenue until we have completed the construction of these properties and delivered the properties to the purchasers. Typically there is a time gap ranging from six months to 18 months between the time we commence pre-sale of the properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as a part of “receipt in advance from customers,” an item of current liabilities on our balance sheet, and as a part of cash inflows from operating activities on our cash flow statements. Revenue arising from property investment is recognized on a straight-line basis over the relevant lease period. Revenue arising from property management services and other property-related services is recognized over the period when the related services are rendered.

#### ***Cost of Sales***

Cost of sales comprises primarily costs incurred directly for our property development, including construction costs, land acquisition costs, capitalized borrowing costs and business taxes.

*Construction costs.* Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors such as price of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. Substantially all of the costs of construction materials, whether procured by ourselves or by our contractors, are accounted for as part of the contractor fees upon settlement with the relevant contractors.

*Land acquisition costs.* Land acquisition costs represent costs relating to acquisition of the rights to occupy, use and develop land, including land premiums, demolition and resettlement costs, and other land-related taxes and government surcharges. The land acquisition costs are recognized as part of cost of sales upon completion and delivery of the relevant properties.

*Capitalized borrowing costs.* Our borrowing costs are capitalized to the extent that such costs are directly attributable to the acquisition or construction of a project. Such capitalized borrowing costs are included as part of the cost of sales for the relevant property when we recognize the sales revenue.

*Business Tax.* Up to April 30, 2016, our revenue from property development, property investment and property management are subject to business taxes and subcharges at the rate of 5.6% payable to local tax authorities. According to the Notice on Adjustment of Transfer Business Tax to Appreciation Tax 《關於全面推開營業稅改繳增值稅試點的通知》, from May 1, 2016, our revenue from property development, property investment and property management are all subject to VAT. For property development and property investment, our revenues are subject to 11% under general calculation method for general VAT taxpayers, 5% under simple calculation method for general VAT taxpayers, and 3% for small-scale VAT taxpayers. For property management, our revenue is subject to 6% VAT rate. The above-related output VAT should be recorded on balance sheets, which is not included in this category of business tax.

### *Fair Value Gains on Investment Properties*

We hold certain properties such as office buildings, retail shops and parking spaces for rental income or capital appreciation. Our investment properties are revalued annually on an open market value or existing use basis by an independent property valuer. Any appreciation or depreciation in our investment property value is recognized as fair value gains or losses in our consolidated income statements.

### *Other Income*

Our other income primarily consist of interest income, advertising income from the operation of football and volleyball clubs, forfeited customer deposits and gain on disposal of investment properties.

The following table illustrates our other income for the years indicated:

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
	(in millions)						
Interest income . . . . .	1,007	3,716	4,078	616	2,022	2,732	413
Forfeited customer deposits . . . . .	202	380	592	89	225	521	79
Advertising income <sup>(1)</sup> . . . . .	—	—	—	—	—	—	—
Gain on disposal of investment properties . . . . .	185	371	168	25	—	—	—
Dividend income of financial assets at fair value through profit or loss and available-for-sale financial assets . . . . .	43	139	364	55	—	—	—
Management and consulting service income from joint ventures . . . . .	—	—	—	—	—	900	136
Others . . . . .	825	331	345	52	273	242	37
<b>Total . . . . .</b>	<b>2,262</b>	<b>4,937</b>	<b>5,547</b>	<b>838</b>	<b>2,520</b>	<b>4,395</b>	<b>664</b>

Note:

(1) Advertising income represented income generated from the operation of football and volleyball clubs.

### ***Selling and Marketing Costs***

Selling and marketing costs comprise primarily advertising and promotional expenses, sales commissions and other expenses relating to sales of our properties, including advertisements on television and in newspapers, magazines and billboards.

### ***Administrative Expenses***

Administrative expenses comprise primarily administrative staff costs, travel expenses, entertainment expenses, rental payments, office expenses, depreciation and provision for bad debts.

### ***Finance (Costs)/Income, net***

Finance (costs)/income, net, comprise primarily the net amount of foreign exchange gains/losses of borrowings and interest costs net of capitalized interest relating to properties under development and property and equipment. Since foreign exchange rates fluctuate and the construction period for a project does not necessarily coincide with the interest payment periods of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period.

### ***Profit before Income Tax***

Profit before income tax comprises primarily operating profit, net of finance (costs)/income.

### ***Income Tax Expenses***

Income tax expenses represent PRC enterprise income tax payable, Hong Kong profits tax payable, and LAT payable by our PRC subsidiaries.

Since January 1, 2008, our PRC subsidiaries have been subject to the new national enterprise income tax of 25% pursuant to the new enterprise income tax law. Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the year ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 in respect of operations in Hong Kong.

Currently, we are not subject to any Cayman Islands income tax pursuant to an undertaking obtained from the Governor in Cabinet. As our BVI subsidiaries were incorporated under or are registered under the BVI Business Companies Act (as amended) of the British Virgin Islands, they are exempted from BVI income tax.

Our effective tax rate increased from 44.9% for the year ended December 31, 2015 to 52.2% for the year ended December 31, 2016, primarily due to greater exchange losses incurred and more interest expenses that could not be capitalized in the year ended December 31, 2016.

Our effective tax rate remained relatively stable at 52.2% for the year ended December 31, 2017.

Our effective tax rate decreased from 52.2% for the six months ended June 30, 2017 to 43.1% for the six months ended June 30, 2018, primarily due to less non-deductible loss incurred in the six months ended 30 June 2018.

## Results of Operations

The table below summarizes our consolidated results in absolute terms for the years ended 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018.

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
				(unaudited)	(unaudited)		(unaudited)
				(in millions)			
Revenue . . . . .	133,130	211,444	311,022	47,003	187,981	300,348	45,390
Cost of sales . . . . .	(95,717)	(152,022)	(198,760)	(30,037)	(120,677)	(191,489)	(28,939)
<b>Gross profit . . . . .</b>	<b>37,413</b>	<b>59,422</b>	<b>112,262</b>	<b>16,965</b>	<b>67,304</b>	<b>108,859</b>	<b>16,451</b>
Fair value gains on investment properties . . . . .	12,859	5,124	8,513	1,287	6,001	1,347	204
Other gains . . . . .	323	6,986	(6,022)	(910)	(7,023)	2,471	373
Other income . . . . .	2,262	4,937	5,547	838	2,520	4,395	664
Selling and marketing costs . . . . .	(13,325)	(15,983)	(17,210)	(2,601)	(7,824)	(9,334)	(1,411)
Administrative expenses . . . . .	(6,139)	(9,598)	(12,246)	(1,851)	(5,430)	(6,593)	(996)
Other operating expenses . . . . .	(1,077)	(2,663)	(5,599)	(846)	(2,051)	(3,562)	(538)
<b>Operating profit . . . . .</b>	<b>32,316</b>	<b>48,225</b>	<b>85,245</b>	<b>12,883</b>	<b>53,497</b>	<b>97,583</b>	<b>14,747</b>
Gain on financial assets at fair value through profit or loss . . . . .	2,515	141	(437)	(66)	(266)	(428)	(65)
Fair value gain/(loss) on derivative financial liabilities . . . . .	—	—	(820)	(124)	—	1,203	182
Finance costs . . . . .	(2,994)	(11,301)	(7,917)	(1,196)	(5,151)	(6,219)	(940)
Share of (losses)/profit of investments accounted for using the equity method . . . . .	(392)	(203)	1,402	212	263	1,051	159
<b>Profit before income tax . . . . .</b>	<b>31,445</b>	<b>36,862</b>	<b>77,473</b>	<b>11,708</b>	<b>48,343</b>	<b>93,190</b>	<b>14,083</b>
Income tax expenses . . . . .	(14,105)	(19,245)	(40,424)	(6,109)	(25,216)	(40,164)	(6,070)
<b>Profit for the year/period . . . . .</b>	<b>17,340</b>	<b>17,617</b>	<b>37,049</b>	<b>5,599</b>	<b>23,127</b>	<b>53,026</b>	<b>8,013</b>
<b>Other comprehensive income</b>							
Change in value of available-for-sale financial assets . . . . .	30	(3,039)	2,165	327	2,435	(354)	(53)
Share of other comprehensive income of investments accounted for using the equity method . . . . .	—	(2,688)	2,391	361	2,017	78	12
Currency translation differences . . . . .	—	835	(695)	(105)	(241)	184	28
<b>Total comprehensive income for the year/period . . . . .</b>	<b>17,370</b>	<b>12,725</b>	<b>40,910</b>	<b>6,182</b>	<b>27,338</b>	<b>52,934</b>	<b>8,000</b>
<b>Profit attributable to:</b>							
Shareholders of							
the Company . . . . .	10,460	5,091	24,372	3,683	18,834	30,805	4,655
Holders of perpetual capital instruments . . . . .	5,088	10,646	—	—	—	—	—
Non-controlling interests . . . . .	1,792	1,880	12,677	1,916	4,293	22,221	3,358
	17,340	17,617	37,049	5,599	23,127	53,026	8,013
<b>Total comprehensive income attributable to:</b>							
Shareholders of							
the Company . . . . .	10,490	199	27,432	4,146	22,028	30,777	4,651
Holders of perpetual capital instruments . . . . .	5,088	10,646	—	—	—	—	—
Non-controlling interests . . . . .	1,792	1,880	13,478	2,037	5,310	22,157	3,348
	17,370	12,725	40,910	6,182	27,338	52,934	8,000
Dividends . . . . .	5,262	—	—	—	—	—	—

## ***Business Segments***

Our business consists of the following four segments:

- property development;
- property investment;
- property management services; and
- other businesses primarily related to the healthcare business insurance, internet, football and cultural, property construction, hotel operations and other property development related services.

The following table illustrates our revenue by business segment for the years indicated:

	<b>Year ended December 31,</b>				<b>Six months ended June 30,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>		<b>2017</b>	<b>2018</b>	
	<b>(RMB)</b>	<b>(RMB)</b>	<b>(RMB)</b>	<b>(US\$)</b>	<b>(RMB)</b>	<b>(RMB)</b>	<b>(US\$)</b>
	<b>(in millions)</b>						
Property development . . . . .	126,449	203,890	302,384	45,697	183,364	294,760	44,545
Property investment . . . . .	241	647	811	123	328	465	70
Property management services . . . . .	1,318	1,948	3,024	457	1,301	1,870	283
Others <sup>(1)</sup> . . . . .	5,122	4,959	4,803	726	2,988	3,253	492
<b>Total . . . . .</b>	<b>133,130</b>	<b>211,444</b>	<b>311,022</b>	<b>47,003</b>	<b>187,981</b>	<b>300,348</b>	<b>45,390</b>

*Note:*

- (1) “Others” primarily relate to revenue from mineral water sales, grain and oil product sales, dairy product sales, healthcare, insurance, internet, football, culture, property construction, hotel operations and other property development related services.

### ***Six months ended June 30, 2018 compared to six months ended June 30, 2017***

**Revenue.** Our revenue increased by RMB112,367 million, or 59.8%, to RMB300,348 million (US\$45,390 million) for the first half of 2018 from RMB187,981 million for the first half of 2017. The major contributor to our revenue in the first half of 2017 and the first half of 2018 was our property development business, accounting for 97.5% and 98.1%, respectively.

**Property Development.** Our revenue generated from property development increased by RMB111,396 million, or 60.8%, to RMB294,760 million (US\$44,545 million) for the first half of 2018 from RMB183,364 million for the first half of 2017. The increase was mainly due to the property area of recognized sales increased by 61.8% as compared with the corresponding period of 2017 and the average selling price of the properties dropped by 0.6% as compared with the first half of 2017.

The following table sets forth the revenue generated from each project category and the percentage of the total revenue generated by each category for the periods indicated.

**Property Investment.** Our revenue generated from property investment substantially increased by RMB137 million, or 41.8%, to RMB465 million (US\$70 million) for the first half of 2018 from RMB328 million for the first half of 2017. The change was primarily attributable to the increase in rental income as a result of the increase in the occupancy rate of our investment properties.

**Property Management Services.** Our revenue generated from property management services increased by RMB569 million, or 43.7%, to RMB1,870 million (US\$283 million) for the first half of 2018 from RMB1,301 million for the first half of 2017, primarily due to the increase in the managed GFA and the increase in the management fees as a result of the increase in the occupancy rate.

**Others.** Our other revenue increased by RMB265 million, or 8.9%, to RMB3,253 million (US\$492 million) for the first half of 2018 from RMB2,988 million for the first half of 2017, primarily due to the increase in revenue from other business.

**Cost of sales.** Our cost of sales increased by RMB70,812 million, or 58.7%, to RMB191,489 million (US\$28,939 million) for the first half of 2018 from RMB120,677 million for the first half of 2017. The increase was primarily due to the increase in the GFA delivered.

**Gross profit.** As a result of the foregoing, our gross profit margin remained stable at 36.2% for the first half of 2018, compared to the first half of 2017.

**Fair value gains on investment properties.** Fair value gains on our investment properties decreased by RMB4,654 million, or 77.6%, to RMB1,347 million (US\$204 million) for the first half of 2018 from RMB6,001 million for the first half of 2017. The decrease was primarily because the incremental area of investment properties was less than that of the same period in 2017. Investment properties of the Group mainly include commercial podiums in living communities, office buildings with gross floor area of about 8.43 million sq.m. and approximately 408,000 car parking spaces.

**Other gains.** Our other gains for the first half of 2018 increased by RMB9,494 million, to RMB2,471 million (US\$373 million) from a loss of RMB7,023 million for the first half of 2017. The increase was primarily to due gains from disposal of a subsidiary company.

**Other income.** Our other income increased by RMB1,875 million, or 74.4%, to RMB4,395 million (US\$664 million) for the first half of 2018 from RMB2,520 million for the first half of 2017. The increase was primarily due to the increase in the management and consulting services income from joint ventures.

**Selling and marketing costs.** Our selling and marketing costs increased by RMB1,510 million, or 19.3%, to RMB9,334 million (US\$1,411 million) for the first half of 2018 from RMB7,824 million for the first half of 2017. The increase was mainly attributable to more sales commission incurred in the first half of 2018 than that of the corresponding period of 2017. However, the 3.1% ratio of selling and marketing expenses to contracted sales is similar compared with that of the first half of 2017. The main reason was that, a series of cost-controlling measures were kept on being monitored during the Reporting Period to ensure that the Group did not overrun budgets on basis of contract sales amount. In addition, in order to save costs, we made full use of our in-house developed mobile phone application, named “Hengfangtong” or “恒房通”, to promote property sales.

**Administrative expenses.** Our administrative expenses increased by RMB1,163 million, or 21.4%, to RMB6,593 million (US\$996 million) for the first half of 2018 from RMB5,430 million for the same period in 2017, mainly attributable to the continuous expansion of the Group’s nation-wide business and significant growth in contracted sales. The level of staff remuneration also increased.

**Other operating expenses.** Our other operating expenses increased by RMB1,511 million, or 73.7%, to RMB3,562 million (US\$538 million) for the first half of 2018 from RMB2,051 million for the first half of 2017. The change was primarily due to the increase in scale of our business operations.



**Finance income/(costs) net.** Our net finance costs increased by RMB1,068 million, or 20.7%, to RMB6,219 million (US\$940 million) for the first half of 2018 from RMB5,151 million for the first half of 2017. The increase in net finance costs for the first half of 2018 was primarily due to the exchange losses incurred .

**Income tax expenses.** Our income tax expenses, which primarily comprised PRC enterprise income tax and LAT, increased by RMB14,948 million, or 59.3%, to RMB40,164 million (US\$6,070 million) for the first half of 2018 from RMB25,216 million for the first half of 2017. The increase in income tax expense for the first half of 2018 was primarily the increase in our profit before tax.

**Profit for the year.** As a result of the foregoing, our profit for the year increased by RMB29,899 million, or 129.3%, to RMB53,026 million (US\$8,013 million) for the first half of 2018 from RMB23,127 million for the same period in 2017.

**Fair value change on available-for-sale financial assets.** For the first half of 2018, we recognized a RMB354 million (US\$53 million) fair value loss on our available-for-sale financial assets, consisting of our equity investments in certain listed companies as compared to fair value gain on available-for-sale financial assets of RMB2,435 million for the first half of 2017.

**Profit attributable to shareholders of the Company.** As a result of the foregoing, our profit attributable to shareholders of the Company for the first half of 2018 increased by RMB11,971 million, or 63.6%, to RMB30,805 million (US\$4,655 million) for the first half of 2018 from RMB18,834 million for the first half of 2017.

**Dividend.** We did not propose a dividend for the half of 2018 and the same period in 2017.

#### **2017 Compared to 2016**

**Revenue.** Our revenue increased by RMB99,578 million, or 47.1%, to RMB311,022 million (US\$47,003 million) for the year ended December 31, 2017 from RMB211,444 million for the year ended December 31, 2016. The major contributor to our revenue in 2016 and 2017 was our property development business, accounting for 96.4% and 97.2%, respectively.

**Property Development.** Our revenue generated from property development increased by RMB98,494 million, or 48.3%, to RMB302,384 million (US\$45,697 million) for the year ended December 31, 2017 from RMB203,890 million for 2016. The increase was primarily due to the property area of recognized sales, which increased by 29.0% as compared with 2016 and the average selling price of the properties, which increased by 15.0% as compared with 2016.

**Property Investment.** Our revenue generated from property investment substantially increased by RMB164 million, or 25.3%, to RMB811 million (US\$123 million) for the year ended December 31, 2017 from RMB647 million for 2016. The change was primarily attributable to more area of investment properties that was rented out during 2017.

**Property Management Services.** Our revenue generated from property management services increased by RMB1,076 million, or 55.2%, to RMB3,024 million (US\$457 million) for the year ended December 31, 2017 from RMB1,948 million for the year ended December 31, 2016, primarily attributable to the increase in area for which we provided management services in 2017.

**Others.** Our other revenue decreased by RMB156 million, or 3.1%, to RMB4,803 million (US\$726 million) for the year ended December 31, 2017 from RMB4,959 million for the year ended December 31, 2016, primarily due to the disposal of certain business in 2016.

**Cost of sales.** Our cost of sales increased by RMB46,738 million, or 30.7 %, to RMB198,760 million (US\$30,037 million) for the year ended December 31, 2017 from RMB152,022 million for 2016. The increase was primarily due to the increase in the GFA delivered.

**Gross profit.** As a result of the foregoing, our gross profit margin increased by 8% to 36.1% for the year ended December 31, 2017, from 28.1% for 2016.

**Fair value gains on investment properties.** Fair value gains on our investment properties increased by RMB3,389 million, or 66.2%, to RMB8,513 million (US\$1,287 million) for the year ended December 31, 2017 from RMB5,124 million for 2016. Our investment properties mainly include commercial podiums in residential communities, office buildings with gross floor area of about 8.09 million sq.m. and approximately 0.41 million car parking spaces. Increase in the fair value gain was mainly attributable to the increase in additional area of investment properties in 2017.

**Other gains.** Our other gains for the year ended December 31, 2017 decreased by RMB13,008 million, to losses of RMB6,022 million (US\$910 million) from gains of RMB6,986 million for the year ended December 31, 2016. The increase was to the combined results of the disposal loss of the Vanke A shares, amounting to RMB7.18 billion, exchange gain and the gain on disposal of associates.

**Other income.** Our other income increased by RMB610 million, or 12.4%, to RMB5,547 million (US\$838 million) for the year ended December 31, 2017 from RMB4,937 million for the year ended December 31, 2016. The increase was primarily due to the increase in interest income and average cash balance.

**Selling and marketing costs.** Our selling and marketing costs increased by RMB1,227 million, or 7.7%, to RMB17,210 million (US\$2,601 million) for the year ended December 31, 2017 from RMB15,983 million for 2016. The increase was primarily attributable to the 34.2% increase of contracted sales for 2017. However, the ratio of contracted selling and marketing costs to contracted sales for 2017 was 3.4%, representing a decrease of 0.9 percentage point compared with that of 2016. Off-line expenses were spent on advertising and promotion activities which were more focused on target customers. A series of cost-controlling measures were implemented during 2017 to ensure that we did not overrun budgets on basis of contracted sales amount. At the same time, more promotion activities were carried out through internet sales channel, which was more cost-effective. We made full use of its in-house developed mobile phone application, named “Hengfangtong” or “恒房通”, to promote property sales.

**Administrative expenses.** Our administrative expenses increased by RMB2,648 million, or 27.6%, to RMB12,246 million (US\$1,851 million) for the year ended December 31, 2017 from RMB9,598 million for the same period in 2016, primarily due to the increase in the scale of our operations.

**Other operating expenses.** Our other operating expenses increased by RMB2,936 million, or 110.0%, to RMB5,599 million (US\$846 million) for the year ended December 31, 2017 from RMB2,663 million for 2016. The change was primarily due to the increase in the scale of our operations.

**Finance income/(costs) net.** Our net finance costs decreased by RMB3,384 million, or 29.9%, to RMB7,917 million (US\$1,196 million) for the year ended December 31, 2017 from RMB11,301 million for 2016. The decrease in net finance costs for the year ended December 31, 2017 was primarily because we recorded exchange gains in 2017, while we recorded exchange losses in 2016.

**Income tax expenses.** Our income tax expenses, which primarily comprised PRC enterprise income tax and LAT, increased by RMB21,179 million, or 110.0%, to RMB40,424 million (US\$6109 million) for the year ended December 31, 2017 from RMB19,245 million for the year ended December 31, 2016. The increase in income tax expense for the year ended December 31, 2017 was primarily due to the increase in our profit before tax.

**Profit for the year.** As a result of the foregoing, our profit for the year increased by RMB19,432 million, or 110.3%, to RMB37,049 million (US\$5,599 million) for the year ended December 31, 2017 from RMB17,617 million for the same period in 2016.

**Fair value change on available-for-sale financial assets.** For the year ended December 31, 2017, we recognized a RMB2,165 million (US\$327 million) fair value gain on our available-for-sale financial assets, consisting of our equity investments in certain listed companies as compared to fair value loss on available-for-sale financial assets of RMB3,039 million for the year ended December 31, 2016.

**Profit attributable to shareholders of the Company.** As a result of the foregoing, our profit attributable to shareholders of the Company for 2017 increased by RMB19,281 million, or 378.7%, to RMB24,372 million (US\$3,683 million) for the year ended December 31, 2017 from RMB5,091 million for 2016.

**Dividend.** We did not propose a dividend for 2016 and 2017.

### **2016 Compared to 2015**

**Revenue.** Our revenue increased by RMB78,314 million, or 58.8%, to RMB211,444 million for the year ended December 31, 2016 from RMB133,130 million for the year ended December 31, 2015. The major contributor to our revenue in 2015 and 2016 was our property development business, accounting for 95.0% and 96.4%, respectively.

**Property Development.** Our revenue generated from property development increased by RMB77,441 million, or 61.2%, to RMB203,890 million for the year ended December 31, 2016 from RMB126,449 million for 2015. The increase was primarily due to (i) a 8.7% increase in the average selling price of our properties delivered in the year ended December 31, 2016 as compared to 2015, and (ii) an increase of approximately 8.3 million sq.m. of GFA delivered, representing a growth of 48.3% over the same period in 2015. In the year ended December 31, 2016, we delivered properties in 386 projects. The top 10 projects in terms of revenue generated from properties delivered in the year ended December 31, 2016 included Evergrande Metropolis Foshan, Evergrande Royal Scenic Bay Beijing, Evergrande City Beijing, Evergrande Oasis Dongguan, Evergrande Venice on the Sea, Evergrande Royal Palace Zhengzhou, Evergrande City Lights Ningbo, Evergrande Royal Scenic Bay Shanghai, Evergrande Culture Tourist City Haikou and Evergrande Royal View Garden Xiamen.

**Property Investment.** Our revenue generated from property investment substantially increased by RMB406 million, or 168.5%, to RMB647 million for the year ended December 31, 2016 from RMB241 million for 2015. The change was primarily attributable to the increase in rental income from investment properties.

**Property Management Services.** Our revenue generated from property management services increased by RMB630 million, or 47.8%, to RMB1,948 million for the year ended December 31, 2016 from RMB1,318 million for the year ended December 31, 2015, primarily due to an increase in the amount of property management fees we generated as a result of the increased amount of properties for which we provided property management services.

**Others.** Our other revenue decreased by RMB163 million, or 3.2%, to RMB4,959 million for the year ended December 31, 2016 from RMB5,122 million for the year ended December 31, 2015, primarily due to less revenue generated from sales of spring water, grains and oils and dairy products. We disposed of these business in the second half of 2016.

**Cost of sales.** Our cost of sales increased by RMB56,305 million, or 58.8%, to RMB152,022 million for the year ended December 31, 2016 from RMB95,717 million for 2015. The increase was primarily due to an increase in GFA delivered.

**Gross profit.** As a result of the foregoing, our gross profit margin remained stable at 28.1% for the year ended December 31, 2016, compared to 2015.

**Fair value gains on investment properties.** Fair value gains on our investment properties decreased by RMB7,735 million, or 60.2%, to RMB5,124 million for the year ended December 31, 2016 from RMB12,859 million for 2015. The decrease was primarily due to decrease in GFA and amount of our commercial offices and premises and car parking units that were identified as investment properties during the year ended December 31, 2016.

**Other gains.** Our other gains for the year ended December 31, 2016 increased by RMB6,663 million, or 2,062.8%, to RMB6,986 million from RMB323 million for the year ended December 31, 2015. The increase was primarily to due to selling our fast consuming products business to independent third parties during the year ended December 31, 2016.

**Other income.** Our other income increased by RMB2,675 million, or 118.3%, to RMB4,937 million for the year ended December 31, 2016 from RMB2,262 million for the year ended December 31, 2015. The increase was primarily due to (i) an increase of approximately RMB1,721 million in our interest income from bank deposits for the year ended December 31, 2016 as compared to the year ended December 31, 2015, (ii) an increase of approximately RMB178 million in our forfeited customer deposits for the year ended December 31, 2016 as compared to the year ended December 31, 2015 and (iii) an increase of approximately RMB186 million in our gain on disposal of investment properties for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

**Selling and marketing costs.** Our selling and marketing costs increased by RMB2,658 million, or 19.9%, to RMB15,983 million for the year ended December 31, 2016 from RMB13,325 million for 2015. The increase was primarily due to an increase in the number of projects launched and a significant increase in contracted sales during the year ended December 31, 2016.

**Administrative expenses.** Our administrative expenses increased by RMB3,459 million, or 56.3%, to RMB9,598 million for the year ended December 31, 2016 from RMB6,139 million for the same period in 2015, primarily due to an increase in staff remuneration and bank charges following our continued national expansion.

**Other operating expenses.** Our other operating expenses increased by RMB1,586 million, or 147.3%, to RMB2,663 million for the year ended December 31, 2016 from RMB1,077 million for 2015. The change was primarily due to increase of donation to Dafong County for poverty-relieving projects.

**Finance income/(costs) net.** Our net finance costs increased by RMB8,307 million, or 277.5%, to RMB11,301 million for the year ended December 31, 2016 from RMB2,994 million for 2015. The increase in net finance costs for the year ended December 31, 2016 was primarily due to (i) an exchange loss of RMB4,909 million as compared to an exchange loss of RMB2,842 million for 2015 since a material portion of our debt was denominated in U.S. dollars and there was a depreciation of the Renminbi against the U.S. dollar in 2016, and (ii) an increase of approximately RMB5,329 million in interest expenses that could not be capitalized, as compared to 2015 which was nil.

**Income tax expenses.** Our income tax expenses, which primarily comprised PRC enterprise income tax and LAT, increased by RMB5,140 million, or 36.4%, to RMB19,245 million for the year ended December 31, 2016 from RMB14,105 million for the year ended December 31, 2015. The increase in income tax expense for the year ended December 31, 2016 was primarily due to (i) an increase of approximately RMB5,254 million in the amount of PRC corporate income tax we were required to pay and (ii) an increase of approximately RMB3,906 million in the amount of PRC LAT we were required to pay.

**Profit for the year.** As a result of the foregoing, our profit for the year increased by RMB277 million, or 1.6%, to RMB17,617 million for the year ended December 31, 2016 from RMB17,340 million for the same period in 2015.

**Fair value change on available-for-sale financial assets.** For the year ended December 31, 2016, we recognized a RMB3,039 million fair value loss on our available-for-sale financial assets, consisting of our equity investments in certain listed companies as compared to fair value gain on available-for-sale financial assets of RMB30 million for the year ended December 31, 2015.

**Profit attributable to shareholders of the Company.** As a result of the foregoing, our profit attributable to shareholders of the Company for 2016 decreased by RMB5,369 million, or 51.3%, to RMB5,091 million for the year ended December 31, 2016 from RMB10,460 million for 2015.

**Profit attributable to holders of the perpetual capital instruments.** Our profit attributable to holders of the perpetual capital instruments amounted to RMB10,646 million for the year ended December 31, 2016. The change was mainly due to an increase in principal amount of perpetual capital instruments.

**Dividend.** We paid a dividend of RMB5,262 million in July 2016 for the year ended December 31, 2015 and did not propose a dividend for the year ended December 31, 2016.

## **Liquidity and Capital Resources**

We have financed our property projects primarily through our shareholders' contributions, bank and other borrowings, pre-sale proceeds of properties under development, proceeds from the sale of completed properties, funds raised from the capital markets such as our IPO, the issuance of our Existing Notes and share placements. We typically follow a financing model under which our start-up cost is mainly financed by bank and other borrowings as well as shareholders' contributions. This financing model supports our projects until the pre-sale stage, when we are able to repay our borrowings with pre-sale proceeds.

We expect to fund our property projects through a combination of sources, including internally generated cash flow, proceeds from the pre-sale of our properties under development, proceeds from the sale of completed properties, bank loans and other borrowings and other funds raised from the capital markets from time to time.

## Net Current Assets

We set out in the table below our current assets and current liabilities as of June 30, 2018:

	<b>As of June 30, 2018</b>	
	<b>(RMB)</b>	<b>(US\$)</b>
	<b>(in millions)</b>	
<b>Current assets</b>		
Properties under development . . . . .	830,414	125,495
Completed properties held for sale . . . . .	127,643	19,290
Trade and other receivables . . . . .	130,072	19,657
Contract costs . . . . .	1,994	301
Prepayments . . . . .	151,384	22,878
Income tax recoverable . . . . .	9,862	1,490
Financial assets at fair value through profit or loss . . . . .	1,942	293
Restricted cash . . . . .	101,390	15,322
Cash and cash equivalents . . . . .	<u>156,554</u>	<u>23,659</u>
	<u>1,511,255</u>	<u>228,386</u>
<b>Current liabilities</b>		
Borrowings . . . . .	298,451	45,103
Trade and other payables . . . . .	454,410	68,672
Contract liabilities . . . . .	176,531	26,678
Receipt in advance from customers . . . . .	—	—
Current income tax liabilities . . . . .	<u>89,205</u>	<u>13,481</u>
	<u>1,018,597</u>	<u>153,934</u>
<b>Net current assets</b> . . . . .	<u><u>492,658</u></u>	<u><u>74,452</u></u>

As a result of our standardized operational model, our business cycle from the commencement of development to pre-sale is typically relatively short and a majority of our properties under development are classified as current assets, which may be able to generate cash within one year.

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

	<b>Year ended December 31,</b>				<b>Six months ended 30 June</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>		<b>2017</b>	<b>2018</b>	
	<b>(RMB)</b>	<b>(RMB)</b>	<b>(RMB)</b>	<b>(US\$)</b>	<b>(RMB)</b>	<b>(RMB)</b>	<b>(US\$)</b>
				<b>(unaudited)</b>			<b>(unaudited)</b>
				<b>(in millions)</b>			
Net cash used in/generated from operating activities . . . . .	(23,749)	(58,610)	(150,973)	(22,816)	(79,860)	18,313	2,768
Net cash used in investing activities . . . . .	(12,553)	(119,559)	(47,482)	(7,176)	(5,434)	(28,557)	4,316
Net cash generated from financing activities . . . . .	<u>109,446</u>	<u>273,079</u>	<u>152,913</u>	<u>23,109</u>	<u>51,460</u>	<u>14,491</u>	<u>2,190</u>
<b>Cash and cash equivalents at end of the year</b> . . . . .	<u><b>103,090</b></u>	<u><b>198,420</b></u>	<u><b>152,008</b></u>	<u><b>22,972</b></u>	<u><b>164,404</b></u>	<u><b>156,554</b></u>	<u><b>23,659</b></u>

## Operating Activities

Our cash used in operations principally comprises amounts we pay for our property development activities, which are reflected on our consolidated balance sheets as an increase in our property inventory. Our cash from operations is generated principally from the proceeds from sales of our properties.



We recorded net operating cash outflows for the years ended December 31, 2015, 2016 and 2017, while recorded net operating cash inflow in the six months ended June 30, 2018. The net operating cash outflows were principally due to the rapid expansion of our business which resulted in our purchases of land and project development expenses outpacing the receipt of proceeds of our presale of properties.

Net cash generated from operating activities was RMB18,313 million (US\$2,768 million) for the six months ended June 30, 2018, attributable to net cash generated from operations of RMB62,374 million (US\$9,426 million), interest paid of RMB27,637 million (US\$4,177 million), income tax and LAT paid of RMB16,424 million (US\$2,482 million).

Net cash used in operating activities was RMB150,973 million (US\$22,816 million) in the year ended December 31, 2017, attributable to net cash generated from operations of RMB79,902 million (US\$12,075 million), interest paid of RMB54,072 million (US\$8,172 million), income tax paid of RMB16,999 million (US\$2,569 million). Operating cash inflow before changes in working capital was RMB80,845 million (US\$12,218 million) in the year ended December 31, 2017. Changes in working capital contributed to a cash outflow of RMB160,747 million (US\$24,293 million) in the year ended December 31, 2017, which mainly comprised an increase in properties under development and completed properties held for sale of RMB203,891 million (US\$30,812 million), an increase in trade and other receivables and prepayments of RMB92,515 million (US\$13,981 million) and an increase in restricted cash as guarantee for construction of projects and other operating activities of RMB14,847 million (US\$2,244 million), partially offset by an increase in trade and other payables and receipt in advance from customers of RMB149,862 million (US\$22,648 million).

Net cash used in operating activities was RMB58,610 million in the year ended December 31, 2016, attributable to net cash generated from operations of RMB14,628 million, interest paid of RMB30,876 million, income tax and LAT paid of RMB13,106 million. Operating cash inflow before changes in working capital was RMB34,902 million in the year ended December 31, 2016. Changes in working capital contributed to a cash outflow of RMB49,530 million in the year ended December 31, 2016, which mainly comprised an increase in properties under development and completed properties held for sale of RMB107,801 million, an increase in trade and other receivables and prepayments of RMB61,310 million and an increase in restricted cash as guarantee for construction of projects and other operating activities of RMB33,679 million, partially offset by an increase in trade and other payables and receipt in advance from customers of RMB153,418 million.

Net cash used in operating activities was RMB23,749 million in the year ended December 31, 2015, attributable to cash generated in operation of RMB1,891 million, interest paid of RMB19,575 million, income tax paid of RMB2,394 million and LAT paid of RMB3,671 million. Operating cash inflow before changes in working capital was RMB19,491 million in the year ended December 31, 2015. Changes in working capital contributed to a cash outflow of RMB17,600 million in the year ended December 31, 2015, which mainly comprised an increase in properties under development, completed properties held for sale of RMB79,676 million and an increase in restricted cash as guarantee for projects and other operating activities of RMB7,877 million, partially offset by a decrease in trade and other receivables and prepayment of RMB4,163 million, and an increase in trade and other payables and receipt in advance from customers of RMB66,523 million.

### ***Investing Activities***

Net cash used in investing activities was RMB28,557 million (US\$4,316 million) for the six months ended June 30, 2018. This was primarily due to purchase of financial assets at fair value through other comprehensive income, totaling RMB24,981 million (US\$3,775 million), Cash advances to joint ventures, totaling RMB11,411 million (US\$1,724 million), investments in joint ventures, totaling RMB10,516 million (US\$1,589 million), purchase of property, plant and equipment, investment properties, land use rights and intangible assets, totaling RMB8,367 million (US\$1,264 million), and acquisition of subsidiaries, net of cash acquired, totaling RMB6,825 million (US\$1,031 million) for the six months ended June 30, 2018.

Net cash used in investing activities was RMB47,482 million (US\$7,176 million) in the year ended December 31, 2017. This was primarily due to acquisition of subsidiaries, net of cash acquired, totaling RMB37,009 million (US\$5,593 million), purchases of property, plant and equipment, investment properties, totaling RMB14,369 million (US\$2,171 million), investments in joint ventures, totaling RMB661 million (US\$100 million), purchase of available-for-sale financial assets, totaling RMB67,100 million (US\$10,140 million), purchase of financial assets at fair value through profit or loss, totaling RMB795 million (US\$120 million), and cash advance to non-controlling interests, totaling RMB6,736 million (US\$1,018 million), in the year ended December 31, 2017.

Net cash used in investing activities was RMB119,559 million in the year ended December 31, 2016. This was primarily due to acquisition of subsidiaries, net of cash acquired, totaling RMB44,120 million, purchases of property, plant and equipment, investment properties, land use rights and intangible assets, totaling RMB15,927 million, investments in joint ventures, totaling RMB11,384 million, purchase of available for-sale financial assets, totaling RMB47,060 million, purchase of financial assets at fair value through profit or loss, totaling RMB4,679 million, and cash advance to noncontrolling interests, totaling RMB2,951 million, in the year ended December 31, 2016.

Net cash used in investing activities was RMB12,553 million in the year ended December 31, 2015. This was primarily due to our addition of property, equipment and investment properties of RMB15,518 million, investment in joint ventures of RMB5,802 million, cash used for purchase of available-for-sale financial assets of RMB4,824 million, cash advance to joint ventures of RMB1,686 million and cash used for the purchase of financial assets at fair value through profit or loss of RMB2,367 million for the year ended December 31, 2015, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB15,571 million for the year ended December 31, 2015.

### ***Financing Activities***

Net cash generated from financing activities was RMB14,491 million (US\$2,190 million) for the six months ended June 30, 2018, primarily attributable to proceeds from bank and other borrowings of RMB175,509 million (US\$26,524 million), capital injection from non-controlling interests of RMB29,074 million (US\$4,394 million), restricted cash pledged for bank borrowings of RMB28,625 million (US\$4,326 million), proceeds from convertible bonds of RMB14,385 million (US\$2,174 million) and cash advances from joint ventures of RMB6,611 million (US\$999 million), partially offset by repayments of bank and other borrowings and perpetual capital instruments of RMB237,365 million (US\$35,871 million).

Net cash generated from financing activities was RMB152,913 million (US\$23,109 million) in the year ended December 31, 2017, primarily attributable to proceeds from borrowings of RMB481,606 million (US\$72,782 million), partially offset by repayments of borrowings of RMB326,958 million (US\$49,411 million) and redemption of perpetual capital instruments of RMB113,667 million (US\$17,178 million).

Net cash generated from financing activities was RMB273,079 million in the year ended December 31, 2016, primarily attributable to proceeds from borrowings of RMB424,511 million and proceeds from perpetual capital instruments of RMB59,754 million, partially offset by repayments of borrowings of RMB237,892 million and redemption of perpetual capital instruments of RMB25,789 million.

Net cash generated from financing activities was RMB109,446 million in the year ended December 31, 2015, primarily attributable to proceeds from borrowings of RMB189,572 million, proceeds from perpetual capital instruments of RMB44,322 million and proceeds from PRC corporate bonds of RMB39,522 million, partially offset by repayments of borrowings of RMB105,102 million, redemption of perpetual capital instruments of RMB20,902 million and restricted cash pledged for bank borrowings of RMB23,403 million.

## Working Capital

As of December 31, 2015, 2016 and 2017 and June 30, 2018, our aggregate cash and cash equivalents and restricted cash amounted to RMB164,022 million, RMB304,329 million, RMB287,722 million (US\$43,482 million) and RMB257,944 million (US\$38,981 million), respectively. As of June 30, 2018, we had undrawn banking facilities in the aggregate principal amount of RMB199.4 billion (US\$30.1 billion).

## Indebtedness

### Borrowings

Our borrowings are denominated in U.S. dollar, Renminbi and other currencies. You may refer to the section entitled “Exchange Rate Information” for the exchange rate between U.S. dollars and Renminbi. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had the following outstanding borrowings.

	As of December 31,			As of June 30,	
	2015	2016	2017	2018	
	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)
	(in millions)				
<i>Borrowings included in non-current liabilities:</i>					
Bank borrowings . . . . .	96,760	166,389	210,913	197,761	29,886
Senior notes . . . . .	19,854	22,112	57,682	58,508	8,842
PRC corporate bonds . . . . .	39,549	53,761	53,863	45,470	6,872
Convertible bonds . . . . .	—	—	—	11,812	1,785
Other borrowings . . . . .	78,535	168,066	273,759	256,015	38,690
	234,698	410,328	596,217	569,566	86,075
Less: current portion of non-current borrowings . . . . .	(96,536)	(78,164)	(219,973)	(196,888)	(29,754)
	138,162	332,164	376,244	372,678	56,320
<i>Borrowings included in current liabilities:</i>					
Bank borrowings . . . . .	29,939	88,757	87,555	53,795	8,130
Current portion of non-current borrowings . . . . .	96,536	78,164	219,973	196,888	29,754
Other borrowings . . . . .	32,269	35,985	48,853	47,768	7,219
	158,744	202,906	356,381	298,451	45,103
<b>Total borrowings . . . . .</b>	<b>296,906</b>	<b>535,070</b>	<b>732,625</b>	<b>671,129</b>	<b>101,423</b>

As of December 31, 2015, 2016, 2017 and June 30, 2018, our aggregate outstanding borrowings were RMB296,906 million, RMB535,070 million, RMB732,625 million (US\$110,717) million and RMB671,129 million (US\$101,423 million), respectively. The increase in our total borrowings as of December 31, 2017 was in line with our increased land acquisition costs and construction costs. As of December 31, 2015, 2016, 2017 and June 30, 2018, the average interest rate on our bank and other borrowings was 7.98%, 8.27%, 8.09% and 7.92%, respectively; the average interest rate on our Existing Notes was 10.18%, 9.81%, 8.33% and 9.28%, respectively. The average interest rate on our PRC corporate bonds was 7.41% as of June 30, 2018.

Commercial banks and other financial institutions in China typically require guarantees or security interests to lend to us. As of December 31, 2015, 2016, 2017 and June 30, 2018, certain of our outstanding bank and other borrowings were secured by our land use rights, investment properties, properties under development, completed properties held for sale, accounts receivable, cash, deposit certificate, equity interests in certain subsidiaries and guarantees provided by certain subsidiaries of the Company, while others were on credit. See the section entitled “Description of Material Indebtedness and Other Obligations.”

The table below sets forth the maturity profiles of our borrowings as of the dates indicated:

	As of December 31,			
	2015	2016	2017	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in millions)			
Borrowings:				
Less than one year . . . . .	158,744	202,906	356,381	53,858
One to two years . . . . .	54,844	161,247	184,875	27,939
Two to five years . . . . .	73,957	158,720	145,519	21,991
Over five years . . . . .	9,361	12,197	45,850	6,929
<b>Total . . . . .</b>	<b>296,906</b>	<b>535,070</b>	<b>732,625</b>	<b>110,717</b>

Since June 30, 2018, we have also incurred additional debt in the ordinary course of business to finance our operations and to refinance our short-term debt. See also “Description of Material Indebtedness and Other Obligations.”

### Financial Guarantee

We make arrangements with various PRC banks to provide mortgage facilities to purchasers of our pre-sold properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for mortgages on pre-sold residential properties are generally discharged at the earlier of the following: (i) the property ownership certificates are submitted to the mortgagee banks, or (ii) the purchasers pay off the total amount of mortgages. If a purchaser defaults on the mortgage loan, we are typically required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2015, 2016, 2017 and June 30, 2018, our outstanding guarantees for mortgage loans of the purchasers of our pre-sold properties were approximately RMB141,591 million, RMB252,128 million, RMB344,026 million (US\$51,990 million) and RMB349,975 million (US\$52,889 million), respectively.

We also provided guarantees for borrowings of certain of our cooperation parties, who are mainly construction subcontractors that are independent third parties, after assessing their credit history. As of June 30, 2018, the aggregate outstanding amount guaranteed was RMB11,651 million (US\$1,761 million).

We confirm that, other than disclosed in this offering memorandum, there has been no material change in our indebtedness and contingent liabilities other than those incurred in our ordinary course of business since June 30, 2018.

## Contractual Obligations and Capital Commitments

The following table sets forth our aggregate minimum lease payments as of the dates indicated:

	As of December 31,				As of June 30,	
	2015	2016	2017		2018	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(unaudited)			(unaudited)
			(in millions)			
No later than one year . . . . .	117	442	512	77	682	103
Later than one year and not later than five years . . . . .	349	971	760	115	1,130	171
Later than five years . . . . .	12	110	80	12	73	11
<b>Total</b> . . . . .	<b>478</b>	<b>1,523</b>	<b>1,352</b>	<b>204</b>	<b>1,885</b>	<b>285</b>

The following table sets forth our commitments for property development expenditures as of the dates indicated:

	As of December 31,				As of June 30,	
	2015	2016	2017		2018	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(unaudited)			(unaudited)
			(in millions)			
Contracted but not provided for . . . .	79,519	163,244	195,317	29,517	211,241	31,924

The following table sets forth our commitments for land expenditures and acquisition of subsidiaries as of the dates indicated:

	As of December 31,				As of June 30,	
	2015	2016	2017		2018	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(unaudited)			(unaudited)
			(in millions)			
Contracted but not provided for						
Land use rights . . . . .	20,899	60,535	71,487	10,803	83,050	12,551
Subsidiaries & Equity investment	41,525	—	10,574	1,598	7,539	1,139

Our commitments for property development expenditures and land expenditures are financed by cash generated from our operations. We expect to continue to rely on proceeds from our property sales and pre-sales as well as new financings as the principal sources of funding to finance our contractual obligations and capital commitments.

## Off-balance Sheet Commitments and Arrangements

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

## **Market Risks**

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

### ***Interest Rate Risk***

We are exposed to interest rate risks, primarily relating to our borrowings, which were RMB296,906 million, RMB535,070 million, RMB732,625 million and RMB671,129 million (US\$101,423 million), respectively, as of December 31, 2015, 2016, 2017 and June 30, 2018. We undertake debt obligations to support our property development and general working capital needs. Upward fluctuations in interest rates may increase the cost of our financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. The benchmark one-year bank lending rate published by PBOC for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 was 4.35%. We currently do not use any derivative instruments to hedge our interest rate risk.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress the overall housing demand in China. Furthermore, the increase in interest rates may also increase our financial obligation to the PRC banks as we have disclosed in the section entitled "— Financial Guarantee" above.

### ***Commodity Risk***

We are exposed to fluctuations in the prices of raw materials for our property development, primarily steel and cement. We do not engage in any hedging activities. Purchasing costs of steel and cement are generally accounted for as part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials will affect our construction costs in the form of increased fee quotes by our construction contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations.

### ***Foreign Exchange Risk***

Substantially all of our revenues and expenses are denominated in Renminbi. Our exposure to foreign exchange rate fluctuations results primarily from our indebtedness denominated in foreign currencies, primarily the U.S. dollar. During the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, because of the generally appreciating Renminbi, our holdings in foreign currency-denominated assets were equal to US\$2,431 million, US\$1,599 million, US\$1,668 million and US\$3,856 million, respectively, including our proceeds from overseas equity and debt financings before we used them to acquire land reserves, generated foreign exchange losses. A depreciation of Renminbi against the U.S. dollar and other foreign currencies would reduce the U.S. dollar equivalent amounts of the Renminbi that we convert for servicing the Existing Notes and other foreign currency-denominated indebtedness. We currently do not engage in hedging activities designed or intended to manage such currency risk. You should refer to the section entitled "Risk Factors — Risks Relating to China — Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries" for additional risk disclosure.

### ***Inflation***

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.0% in 2014 and 1.4% in 2015. Recent inflation and deflation have not materially affected our business.



## Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our earnings before fair value gains on investment properties, interest income from non-current receivables, exchange gains/(losses) plus income tax expenses, depreciation, share option amortization, amortization of intangible assets and land use rights and interest expense.

EBITDA is not a standard measure under HKFRS or GAAP. 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/period of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

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

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

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
			(unaudited)		(unaudited)	(unaudited)	
			(in millions)				
Profit for the year/period . . . . .	17,340	17,617	37,049	5,599	23,127	53,026	8,013
<b>Adjustment</b>							
Fair value gains on investment properties . . . . .	(12,859)	(5,124)	(8,513)	(1,287)	(6,001)	(1,347)	(204)
Interest income from non-current receivables . . . . .	477	(745)	(611)	(92)	(357)	(268)	(41)
Interest expense . . . . .	6,647	16,913	24,098	3,642	13,058	18,184	2,748
Share option amortization . . . . .	106	100	593	90	32	1,267	191
Exchange (gain)/loss . . . . .	(2,187)	5,768	(2,059)	(311)	389	1,325	200
Income tax expenses . . . . .	14,105	19,245	40,424	6,109	25,216	40,164	6,070
Depreciation . . . . .	1,278	1,634	1,772	268	910	1,102	167
Amortization of intangible assets and land use rights . . . . .	176	330	222	34	85	145	22
EBITDA . . . . .	25,083	55,738	92,975	14,051	56,459	113,598	17,167
EBITDA margin . . . . .	18.8%	26.4%	29.9%	29.9%	30.0%	37.8%	37.8%

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year/period or as an indicator of operating performance or any other standard measure under HKFRS or GAAP. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the New Notes Indentures. Interest expense excludes amounts capitalized. See the sections entitled “Description of 2021 Notes — Definitions,” “Description of 2023 Notes — Definitions” and “Description of 2025 Notes — Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures.

## INDUSTRY OVERVIEW

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

### Overview of the PRC Economy

From 2003 to 2007, China's real GDP grew at a CAGR of approximately 11.0%, making it one of the fastest growing major economies in the world. Amid the global financial crisis, China achieved an annual real GDP growth of 9.6% in 2008 and maintained positive economic growth throughout the crisis. China was among the first countries to recover from the global financial crisis. In February 2011, it overtook Japan to become the world's second largest economy. China's economic growth slowed in 2012 due to various factors, including the European debt crises and weaker global demand for exports. According to the National Bureau of Statistics, China's real GDP growth was approximately 6.9% in 2017.

### Overall Economic Growth

China's nominal GDP has increased from RMB21,631 billion in 2006 to RMB82,712 billion in 2017, representing a CAGR of approximately 13.0%. Over the same period, China's nominal GDP per capita increased at a CAGR of 12.4% from RMB16,500 in 2006 to RMB59,600 in 2017, demonstrating a significant increase in the purchasing power of the PRC population. The table below sets out selected economic statistics of China for the periods indicated.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP												
(RMBbn) . . . . .	21,631	26,581	31,405	34,090	39,798	47,310	51,932	56,885	63,646	67,671	74,413	82,712
Real GDP growth rate												
(%) . . . . .	12.7%	14.2%	9.6%	9.2%	10.4%	9.3%	7.8%	7.70%	7.3%	6.9%	6.7%	6.9%
Nominal GDP per capita (RMB) . . . . .	16,500	20,169	23,708	25,608	30,015	35,198	38,459	41,908	47,203	53,533	53,980	59,660
Fixed asset investment (RMBbn) . . . . .	11,000	13,732	17,283	22,460	27,812	31,149	37,469	44,707	51,202	56,200	60,647	63,168
Fixed asset investment growth (%) . . . . .	23.9%	24.8%	25.9%	30.0%	23.8%	12.0%	20.3%	19.30%	15.2%	9.8%	7.9%	4.2%

*Source: National Bureau of Statistics, Provincial/local statistics department*

### Urbanization

Strong economic growth has encouraged the rapid urbanization and population growth in selected cities in China. The urbanization rate in China has increased significantly from 43.9% in 2006 to 58.5% in 2017. The table below sets out China's urbanization rate for the periods indicated.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Urban population (million) . . . . .	577	594	607	622	666	691	712	731	749	771	793	814
Total population (million) . . . . .	1,314	1,321	1,328	1,341	1,371	1,347	1,354	1,361	1,368	1,375	1,383	1,391
Urbanization rate (%) . . . . .	43.9%	44.9%	45.7%	46.6%	49.7%	51.3%	52.6%	53.7%	54.8%	56.1%	57.3%	58.5%

*Source: National Bureau of Statistics, Provincial/local statistics department*

*Note: (\*) As of the date of this offering memorandum, Xin Xin (BVI) Limited and Even Honour Holdings Limited held 71.80% and 6.06% interest in our Company, respectively.*

## Disposable Income

The strong growth of the PRC economy has contributed to the rise in disposable income in China. Per capita disposable income of urban households grew steadily between 2006 and 2017 at a CAGR of 10.8%. The table below sets out the per capita disposable income of urban households over the periods indicated.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Per capita disposable income of urban households (RMB) . . . . .	11,759	13,786	15,781	17,175	19,109	21,810	24,565	26,955	28,844	31,195	33,616	36,396

Source: National Bureau of Statistics, Provincial/local statistics department

## Overview of the PRC Property Market

### Between 2008 and 2016

Favorable economic conditions in the PRC have contributed to the strong growth of the PRC property market. From 2008 to 2016, investments in real estate development in China increased at a CAGR of 16.0%, the total GFA of commodity properties sold increased at a CAGR of 11.5%. The table below sets out certain information about the PRC property market over the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Commodity properties</b>									
Total real estate investment (RMB billion) . .	3,120	3,624	4,826	6,180	7,180	8,601	9,504	9,598	10,258
Total GFA under construction (million sq.m.)	2,833	3,204	4,054	5,068	5,734	6,656	7,265	7,357	N/A
Total GFA sold (million sq.m.) . . . . .	660	948	1,048	1,094	1,113	1,306	1,206	1,285	1,573
<b>Residential properties</b>									
Total real estate investment (RMB billion) . .	2,244	2,561	3,404	4,432	4,937	5,895	6,435	6,460	6,870
Total GFA under construction (million sq.m.)	2,229	2,153	3,148	3,877	4,290	4,863	5,151	5,116	5,213
Total GFA sold (million sq.m.) . . . . .	593	862	934	965	985	1,157	1,052	1,124	1,375

Source: National Bureau of Statistics, Provincial/local statistics department

Prices for real estate in the PRC experienced steady growth between 2008 and 2016, with the average price of commodity properties growing at a CAGR of 8.8% over the same period. The table below sets out average property prices in the PRC over the periods indicated.

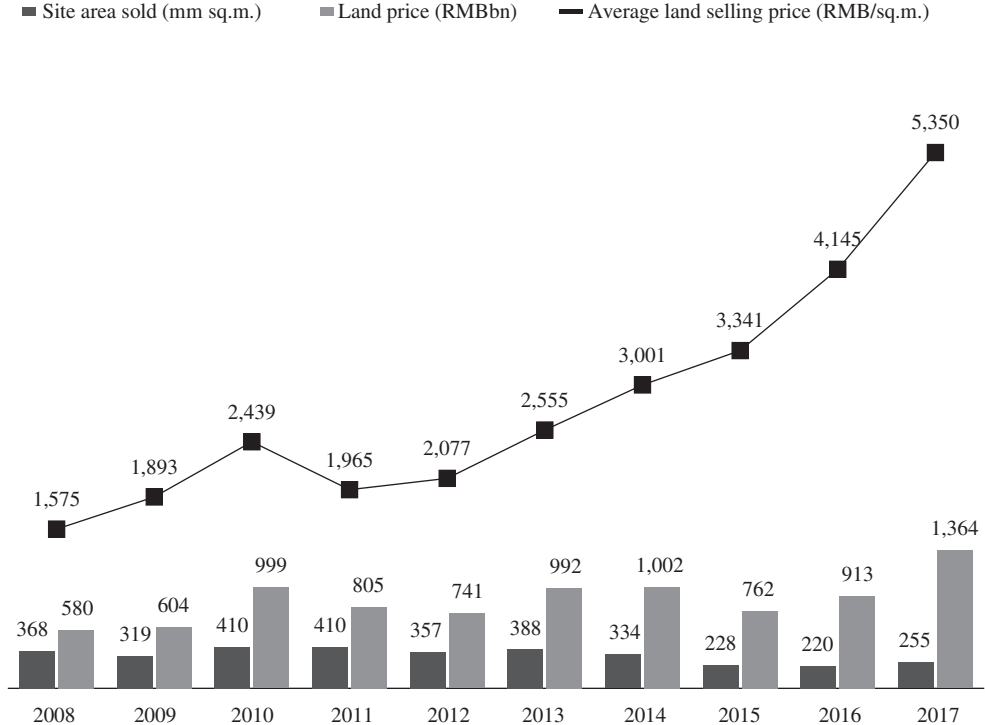
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Average price of commodity properties (RMB per sq.m.) . . . . .	3,800	4,681	5,032	5,357	5,791	6,237	6,324	6,793	7,476
Average price of residential properties (RMB per sq.m.) . . . . .	3,576	4,459	4,725	4,993	5,430	5,850	5,932	6,472	7,203

Source: National Bureau of Statistics, Provincial/local statistics department

**Recent Developments in the PRC Property Market**

Land prices in the PRC are affected by multiple factors in recent years. Following the global economy recovery in early 2009, total land sales increased from approximately RMB604 billion to close to approximately RMB1 trillion from 2009 to 2010. On the other hand, the PRC government has been introducing austerity measures since 2009 to regulate the property market and curb housing prices, which led to a decline in the average land selling price in 2011. According to the National Bureau of Statistics of China, the average land selling prices were RMB2,439 per sq.m. in 2010, RMB1,965 per sq.m. in 2011, RMB2,077 per sq.m. in 2012, and RMB2,555 per sq.m. in 2013, RMB3,001 per sq.m. in 2014, and RMB3,341 per sq.m. in 2015, and RMB4,145 per sq.m. in 2016 and RMB5,350 per sq.m. in 2017; reflecting a year-on-year growth rate of 28.9%, (19.4%), 5.7%, 23.0%, 17.5%, 11.3%, 24.1% and 29.1%, respectively.

**Historical land sales**



Source: National Bureau of Statistics of China, Provincial/local statistics department

The PRC property market experienced downward pricing pressures in the second half of 2011, as a result of the various policies and measures introduced by the PRC government aiming at “cooling off” the property market. According to a report issued by the National Bureau of Statistics of China, the total GFA sold and total property sales in China in the six months ended June 30, 2012 decreased by 10.0% and 5.2%, respectively, as compared with those in the six months ended June 30, 2011. Beginning in the second quarter of 2012 and continuing through 2013, transaction volumes recovered in the overall PRC property market, due in part to the improving market sentiment in the PRC property market as well as the absence of further major restrictive government policies or measures. According to the National Bureau of Statistics of China, the total GFA sold in 2015 was 1,285 million sq.m., representing a 6.5% increase from the 2012.

## Regulatory Milestones of the PRC Property Industry

From time to time, the PRC government has taken actions to tighten its control over the property market. In particular, the PRC government has taken measures to discourage speculation in the residential property market and to increase the supply of affordable housing. The table below sets out the key regulatory milestones of the PRC property industry, including major policies and measures implemented by the PRC government since 2008:

2008 . . . The State Council issued Notice on Promoting the Land Saving and Intensive Use 《國務院關於促進節約集約用地的通知》 on January 3, 2008, which provided for stricter supervision on land development and regulation of idle land.

In October 2008, the PBOC reduced the minimum down payment requirement to 20% of the purchase price of the underlying property and the minimum mortgage loan interest rate to 70% of the PBOC benchmark interest rate for the purchase of a principal residence with a total GFA less than 90 sq.m.

On October 22, 2008, the State Council, the MOF and the SAT jointly announced the decision to reduce the tax expenses of property transactions.

In October 2008, the CBRC issued regulatory notices to restrict trust financing companies from providing trust loans, in form or in nature, to (i) property projects that have not obtained the requisite land use rights certificates, construction land planning permits, construction works planning permits and construction work commencement permits; (ii) property developers that had not been issued with Class 2 qualification certificates by the relevant competent construction authorities; (iii) property projects of which less than 30% of the total investments are funded by the property developers' own capital (except for affordable housing and commodity apartments, of which 20% of the total investment shall be funded by the developer's own capital); and (iv) property developers for payment of land premium or for working capital purposes.

2009 . . . The State Council issued a Notice on Adjusting the Capital Ratio of Fixed Assets Investment Project 《國務院關於調整固定資產投資項目資本金比例的通知》. The Notice provides that the minimum capital requirements for affordable housing and ordinary commodity apartments are 20%, and the minimum capital requirement for other real estate development projects is 30%. These regulations apply to both domestic and foreign investment projects.

2010 . . . On March 8, 2010, the Ministry of Land and Resources instituted measures aimed at ensuring sufficient land supply for government-subsidized residential property.

On April 17, 2010, the State Council announced its decision to implement diverse credit policies for different types of purchases.

On September 21, 2010, the Ministry of Land and Resources and the MOHURD instituted measures to require relevant governmental authorities to (i) strengthen the management of the annual plan for land supply and residential property construction; (ii) accelerate the approval process for land supply and construction for residential properties; (iii) strengthen the management of land grants for residential properties; (iv) strengthen the supervision on land supply and construction of residential properties; and (v) strengthen the supervision and investigation of illegal conduct.

On September 29, 2010, the PBOC and the CBRC issued the Notice on the Improvement of Diversified Residential Credit Policies 《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》 to require, among other things, all commercial banks to suspend (i) the extension of loans to individuals for purchase of third or subsequent residences and (ii) the extension of loans to non-local residents who cannot provide certificates evidencing payment of local taxes or social insurance for more than one year. For the purchase of a primary residence, the minimum down payment was increased to 30% of the purchase price of the underlying property.

On September 29, 2010, the MOF, the SAT and the MOHURD issued the Notice on Adjustment of Preferential Policies for Deed Tax and Individual Income Tax for Real Estate Transactions 《財政部、國家稅務總局關於住房和城鄉建設部關於調整房地產交易環節契稅個人所得稅優惠政策的通知》 to curb transfers by individuals of residential properties purchased within one year through the levying of individual income tax.

On December 19, 2010, the Ministry of Land and Resources promulgated the Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of the Property 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》 to further regulate the granting of land use rights for real estate development and tighten regulation of idle land.

On November 4, 2010, the MOHURD and SAFE issued the Notice on Further Standardization of the Administration of Housing Purchase by Foreign Entities and Individuals 《關於進一步規範境外機構和個人購房管理的通知》 to further restrict foreign individuals from purchasing property in the PRC.

2011 . . . On January 27, 2011, the MOF and the SAT jointly issued the Notice on Business Tax Imposed on Individuals Transferring Houses 《財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知》 to curb transfers of properties by individuals within five years of purchase.

In January 2011, the State Council issued a notice to further restrict property purchases and strengthen regulations on land transfers, property development projects and idle land. Among other things, the notice (i) increased the minimum down payment for the purchase of a second home from 50% to 60%; (ii) required local governmental authorities to take steps to expand the coverage of low-income housing by increasing supply of low-income housing through construction, redevelopment, purchases and long-term leases and to build 10 million units of low-income housing in 2011; (iii) increased the minimum down payment from 20% to 30% for the purchase of the first residential property of a family if the underlying property has a unit GFA of 90 sq.m. or more; (iv) required that if a property developer failed to obtain the relevant construction permits and failed to commence construction within two years from the designation of land for property development, the relevant land use rights granted be forfeited and an idle land penalty be imposed; (v) prohibited the transfers of land or a property development project if the amount of property development investment (excluding the land premium) incurred is less than 25% of the total investment amount in respect of the project; and (vi) prohibited families holding local residency and owning two or more residential properties and families holding non-local residency and owning at least one residential property or who cannot provide a local tax payment certificate or a social security certificate from purchasing additional residential properties in their local district.



In March 2011, the MOHURD released the Notice on Inspection in respect of Standardized Management of Low-Income Housing Security Policy, requesting all local government authorities to fully understand the importance and long-term nature of the standardized management of low-income housing security policy, continue adopting effective measures, implement management accountability, improve management standards, and set up a comprehensive scientific, orderly, efficient, open and transparent management system.

In July 2011, MOHURD issued the Notice on Relevant Issues Relating to Enhanced Implementation of Real Estate Control Policies 《關於進一步落實房地產調控政策有關問題的函》 to enhance the implementation of purchase restrictions in second-tier and third-tier cities and to increase the number of cities subject to property purchase restrictions. This notice set out five criteria and encouraged local governments to, subject to local market conditions, implement property purchase restrictions if three or more of the following criteria are met: (i) prices of new residential units in the relevant city recorded year-on-year increase or recorded month-on-month increase during the six months ended June 30, 2011 according to information provided by the National Bureau of Statistics; (ii) the average price of new residential units in the relevant city in June 2011 had been higher than or closed to the maximum average price of residential units pre-determined by the relevant authorities; (iii) the sales volume of new commodity properties in the relevant city increased significantly from January 2011 to June 2011, as compared with the same period in past year; (iv) the relevant city is located close to major city(ies) with property purchase restrictions implemented and the proportion of non-local purchasers of properties in such city remained high; and (v) state-wide restrictive policies in real estate market had not been fully implemented in the relevant city which resulted in continued and significant increase in property prices and dissatisfaction of local residents. In addition, the PRC government plans to build 36 million units of low-income housing during its “Twelfth Five-year” period. Through large-scale and nationwide development of low-income housing, it is expected that by the end of the “Twelfth Five-year” period, the coverage of low-income housing in urban cities and counties will reach 20% or above nationwide.

2012 . . . On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land 《閒置土地處置辦法》, which became effective on July 1, 2012. Under these measures, if any land parcel constitutes “idle land” due to government-related acts, the holder of the relevant land use rights are required to explain to the relevant municipality or county-level land administrative department(s) the reasons for the land becoming idle, consult the relevant government authorities and rectify the situation accordingly. The means of rectification include but are not limited to the extension of the period permitted for commencing development, the adjustment of the land use and planning conditions or the substitution of the relevant idle land parcels with other land parcels.

2013 . . . On February 26, 2013, the General Office of the State Council promulgated the Notice on Continuing Adjustment and Control of Property Markets 《關於繼續做好房地產市場調控工作的通知》, which reiterated the importance of controlling property prices and promoting the healthy development of the PRC property market. The notice mandated provincial governments to increase the effectiveness of regulations designed to achieve national property control policies. Key goals are to (i) fine tune existing measures to control property prices, (ii) curb property speculation, (iii) increase the supply of commodity housing, (iv) accelerate the development of affordable housing projects, and (v) manage the market expectation of the property industry and strengthen the credit management of property developers.

2014 . . . On September 29, 2014 the PBOC and CBRC jointly issued Circular on Further Improving Financial Services for Housing Consumption 《關於進一步做好住房金融服務工作的通知》 which provides that, for a family who buys on loan its first ordinary house for self-use, the minimum percentage of down payment is 30%, and the lower limit of loan interest rate is 70% of the benchmark rate, to be decided by banking financial institutions in light of risk conditions. For a family who has paid up the loan of its first house and applies again to buy on loan an ordinary commodity house for the purpose of improving living conditions, the loan policies for first house shall apply. In cities where the measures of “restrictions on house buying” are lifted or not imposed, for a family who owns two or more houses and has paid up loans for them, and applies to buy another house on loan, banking financial institutions shall decide on the percentage of down payment and interest rate by prudently considering the borrower’s solvency and credit status.

From third quarter of 2014 many cities have canceled or mitigated restriction on buying of houses. For example, Some cities such as Hangzhou, Wuhan, Jinan, Nanjing and Suzhou have canceled restriction on numbers of houses one can buy. Some cities such as Ningbo, Qingdao and Nanchang have canceled such restriction in certain of its areas.

2015 . . . In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property for self-use to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. The minimum down payment is adjusted to 20% for the family that apply for housing reserve loan to buy first ordinary residential property for self-use and 30% for the family that owns a residential property and has paid off its existing mortgage loan applying for a second housing reserve loan to buy another residential property for self-use to improve living conditions.

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

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

2016 . . . On February 1, 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where restrictions on purchase of residential property are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. From May 1, 2016, the reform to replace business tax with value-added tax is implemented nationwide and expanded to cover several key sectors such as real estate, construction, financial services and lifestyle services.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers.

2017 . . . On April 1, 2017, the MOHURD and the Ministry of Land and Resources jointly issued the “Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply” (《關於加強近期住房及用地供應管理和調控有關工作的通知》) which provides, among others, that cities and counties that have more than one million inhabitants shall make three-year (2017–2019) and five-year (2017–2021) plans for housing land supply, and make such plans public by the end of June 2017. The circular further requires that local governments shall adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. In addition, the circular stipulates that local authorities shall adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

On November 19, 2017, the Interim Regulations of the People’s Republic of China on Business Tax (《中華人民共和國營業稅暫行條例》) was abolished and the Interim Regulations of the People’s Republic of China on Value added Tax (《中華人民共和國增值稅暫行條例》) was revised by the State Council. According to the revised Interim Regulations of the People’s Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax.

On March 8, 2018, the Administration on Qualifications of Real Estate Service Enterprises was abolished and the Regulation on Property Management was revised by the State Council. According to the revised Regulation on Property Management, the qualification system for enterprises engaging in property management activities was cancelled.

Over the years, land premiums have generally been on the rise in China. It is widely expected that land premiums will continue to rise as the PRC economy continues to develop and demolition and resettlement costs continue to increase.

## **Guangdong Province**

Guangdong Province is located in the southern region of China. It has an area of approximately 179,813 sq.km. In 2016, Guangdong Province had a population of approximately 110.0 million. The real GDP growth rate of Guangdong Province exceeded the average national growth rate in each of the past

10 years and the per capita GDP of Guangdong Province was significantly higher than the national average. The table below sets out selected economic statistics of Guangdong Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	3,679.7	3,948.3	4,601.3	5,321.0	5,706.8	6,216.4	6,781.0	7,281.3	8,085.5	8,987.9
Per capita GDP (RMB) . . . . .	37,637.9	39,435.9	44,735.6	50,807.0	54,095.0	58,833.0	63,469.0	67,503.0	74,016.0	81,089.0
Per capita disposable income of urban households . . . . .	19,732.9	21,574.7	23,897.8	26,897.5	30,226.7	29,537.3	32,148.1	34,757.2	37,684.3	40,975.1

*Source: National Bureau of Statistics, Provincial/local statistics department*

According to the NBS, properties with a total GFA of 65.9 million sq.m. were completed in Guangdong Province in 2016, representing a CAGR of 5.3% since 2008. A total of 146.1 million sq.m. of total GFA was sold in 2016. The table below sets out selected data relating to the property market in Guangdong Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	43.6	50.6	56.6	61.4	63.6	62.7	73.3	60.4	65.9	82.0
GFA of residential properties completed (sq.m. in millions) . . . . .	34.8	41.1	45.9	48.8	49.2	47.5	54.4	44.4	47.7	57.8
Total GFA sold (sq.m. in millions) . . . . .	48.5	70.6	73.2	74.3	79.0	98.4	93.2	116.8	146.1	159.6
GFA of residential properties sold (sq.m. in millions) . . . . .	43.6	65.7	65.5	67.1	71.6	88.3	81.6	105.0	130.2	135.2
Total sales revenue (RMB in billions) . . . . .	288.8	459.9	548.1	585.3	640.8	894.1	846.2	1,144.3	1,621.5	1,879.3
Sales revenue from residential properties (RMB in billions) . . . . .	249.6	417.7	459.0	507.1	548.8	747.6	696.0	996.7	1,424.0	1,543.8
Average price of commodity properties (RMB per sq.m.) . . . . .	5,953.0	6,513.0	7,486.0	7,879.2	8,112.2	9,089.8	9,083.0	9,796.0	11,097.0	11,776.0
Average price of residential properties (RMB per sq.m.) . . . . .	5,723.0	6,360.0	7,004.0	7,560.8	7,667.9	8,465.8	8,526.0	9,495.0	10,936.0	11,416.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

### **Guangzhou City**

Guangzhou is the largest city in southern China and the capital of Guangdong Province, located in the central southern region of the province. In 2016, Guangzhou had a population of approximately 14.0 million. The city experienced a high GDP growth rate for the six years from 2008 to 2016. Guangzhou's GDP reached approximately RMB1,954.7 billion in 2016. The table below sets out selected economic statistics of Guangzhou for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	828.7	913.8	1,074.8	1,242.3	1,355.1	1,542.0	1,670.7	1,810.0	1,954.7	2,150.3
Per capita GDP (RMB) . . . . .	76,439.5	79,383.0	87,458.0	97,588.0	105,908.9	120,294.0	128,478.3	136,188.0	141,933.0	150,678.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Liaoning Province

Liaoning Province is located in the southern district of northeastern region of China. It has an area of approximately 148,000 sq.km. In 2016, Liaoning Province had a population of approximately 43.8 million. The table below sets out selected economic statistics of Liaoning Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	1,366.9	1,521.2	1,845.7	2,222.7	2,484.6	2,721.3	2,862.7	2,866.9	2,224.7	2,394.2
Per capita GDP (RMB) . . . . .	31,739.0	35,149.0	42,355.0	50,760.0	56,649.0	61,996.0	65,201.2	65,354.0	50,791.0	54,745.0
Per capita disposable income of urban households . . . . .	14,392.7	15,761.4	17,712.6	20,466.8	23,222.7	26,697.0	29,081.8	31,125.7	32,876.1	34,993.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

According to the NBS, the average price per sq.m. of commodity properties Liaoning Province in 2016 was approximately RMB6,080.0 representing a CAGR of 6.2% since 2008. The table below sets out selected data on the property market in Liaoning Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	38.3	40.3	45.0	63.2	64.4	61.5	61.5	32.4	27.1	27.9
GFA of residential properties completed (sq.m. in millions) . . . . .	32.6	33.9	36.9	52.3	51.3	50.3	49.4	25.3	22.1	N/A
Total GFA sold (sq.m. in millions) . . . . .	40.9	53.8	68.0	75.4	88.3	92.9	57.5	39.2	37.1	41.5
GFA of residential properties sold (sq.m. in millions) . . . . .	37.3	48.6	60.1	66.2	76.6	80.1	49.3	34.8	33.8	38.0
Total sales revenue (RMB in billions) . . . . .	153.8	216.9	306.3	356.9	436.3	475.9	309.2	225.5	225.7	277.2
Sales revenue from residential properties (RMB in billions) . . . . .	133.4	188.3	258.8	300.9	361.1	394.2	251.9	190.8	198.8	245.2
Average price of commodity properties (RMB per sq.m.) . . . . .	3,758.0	4,034.0	4,505.0	4,732.6	4,942.0	5,121.7	5,373.0	5,758.1	6,080.0	6,681.0
Average price of residential properties (RMB per sq.m.) . . . . .	3,575.0	3,872.0	4,303.0	4,542.9	4,717.2	4,918.2	5,107.0	5,486.0	5,876.0	6,458.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Shenyang City

Shenyang is the capital of Liaoning Province, located in the central region of the province. As of December 31, 2016, Shenyang had a population of approximately 8.3 million. Shenyang's GDP dropped to approximately RMB546.0 billion in 2016, representing a per capita GDP of approximately RMB65,851.0. The table below sets out selected economic statistics of Shenyang for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	386.0	426.9	501.8	591.6	660.3	715.9	709.9	727.2	546.0	586.5
Per capita GDP (RMB) . . . . .	49,166.0	54,654.0	62,357.0	72,648.0	80,480.1	86,850.0	85,816.0	87,833.0	65,851.0	70,722.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Jiangsu Province

Jiangsu Province is located along the east coast of China. It has an area of approximately 102,600 sq.km. In 2016, Jiangsu Province had a population of approximately 79.9 million. Jiangsu's per capita disposable income of urban households in 2016 was RMB40,151.6. The table below sets out selected economic statistics of Jiangsu Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	3,098.2	3,445.7	4,142.5	4,911.0	5,405.8	5,975.3	6,508.8	7,011.6	7,738.8	8,590.1
Per capita GDP (RMB) . . . . .	40,014.0	44,253.0	52,840.0	62,290.0	68,347.0	75,354.0	81,874.0	87,995.0	96,887.0	107,189.0
Per capita disposable income of urban households . . . . .	18,679.5	20,551.7	22,944.3	26,340.7	29,677.0	31,585.5	34,346.3	37,173.5	40,151.6	43,622.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	90.7	84.4	87.0	84.5	98.5	97.1	96.2	103.0	100.7	95.8
GFA of residential properties completed (sq.m. in millions) . . . . .	54.9	67.3	65.5	64.8	76.9	75.8	72.6	79.3	76.0	70.9
Total GFA sold (sq.m. in millions) . . . . .	54.1	102.5	94.9	79.7	90.2	114.5	98.5	114.1	139.6	142.1
GFA of residential properties sold (sq.m. in millions) . . . . .	47.3	90.3	81.1	67.7	79.2	101.9	88.0	102.8	126.6	124.9
Total sales revenue (RMB in billions) . . . . .	246.7	510.6	554.0	522.4	606.7	791.4	689.8	839.6	1,129.3	1,306.7
Sales revenue from residential properties (RMB in billions) . . . . .	200.9	434.1	453.7	415.9	508.9	677.8	597.0	737.5	1,105.5	1,132.6
Average price of commodity properties (RMB per sq.m.) . . . . .	4,049.0	4,983.0	5,841.0	6,554.4	6,726.8	6,908.6	7,006.0	7,356.0	8,805.0	9,195.0
Average price of residential properties (RMB per sq.m.) . . . . .	3,802.0	4,805.0	5,592.0	6,145.2	6,422.8	6,650.3	6,783.0	7,176.8	8,734.0	9,070.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Hebei Province

Hebei Province is located in the northwestern region of China. It has an area of approximately 72,500 sq.km. In 2016, Hebei had a population of approximately 74.7 million. The table below sets out selected economic statistics of Hebei Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	1,601.2	1,723.5	2,039.4	2,451.6	2,657.5	2,844.3	2,942.1	2,980.6	3,207.0	3,596.4
Per capita GDP (RMB) . . . . .	22,986.0	24,581.0	28,668.0	33,969.0	36,584.0	38,909.0	39,984.0	40,255.0	43,062.0	47,985.0
Per capita disposable income of urban households . . . . .	13,441.1	14,718.3	16,263.4	18,292.2	20,543.4	22,226.8	24,141.3	26,152.2	28,249.4	30,548.0

*Source: National Bureau of Statistics, Provincial/local statistics department*



According to the NBS, the average price per sq.m. of commodity properties in Hebei Province in 2016 was approximately RMB6,438.0, representing a CAGR of 11.1% since 2008. The table below sets out selected data on the property market in Hebei Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	16.6	22.1	36.1	51.8	48.9	44.4	40.4	40.4	42.9	N/A
GFA of residential properties completed (sq.m. in millions)	15.0	19.4	31.3	42.7	39.8	35.2	32.0	32.3	33.5	N/A
Total GFA sold (sq.m. in millions)	22.3	29.7	46.6	58.9	51.4	56.8	57.1	58.5	66.8	64.3
GFA of residential properties sold (sq.m. in millions)	21.3	28.2	43.3	52.9	46.2	50.2	50.2	51.6	59.0	55.8
Total sales revenue (RMB in billions)	62.0	96.8	165.0	234.5	230.4	278.0	292.8	337.2	430.2	462.8
Sales revenue from residential properties (RMB in billions)	58.4	90.5	148.9	199.4	191.5	232.9	250.2	285.4	371.1	392.5
Average price of commodity properties (RMB per sq.m.)	2,779.0	3,263.0	3,539.0	3,982.8	4,478.0	4,897.3	5,131.0	5,758.8	6,438.0	7,203.0
Average price of residential properties (RMB per sq.m.)	2,743.0	3,210.0	3,442.0	3,766.8	4,142.0	4,639.6	4,988.0	5,529.6	6,290.0	7,039.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Shandong Province

Shandong Province is located on the eastern coast of China. The table below sets out selected economic statistics for Shandong Province for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions)	3,093.3	3,389.7	3,917.0	4,536.2	5,001.3	5,523.0	5,942.7	6,300.2	6,802.4	7,263.4
Per capita GDP (RMB)	32,935.8	35,893.6	41,106.0	47,335.0	51,768.0	56,885.0	60,879.1	64,168.0	68,733.0	72,807.0
Per capita disposable income of urban households	16,305.4	17,811.0	19,945.8	22,791.8	25,755.2	26,882.4	29,221.9	31,545.2	34,012.1	36,789.0

Source: National Bureau of Statistics, Provincial/local statistics department

According to the NBS, the average price per sq.m. of commodity properties in Shandong Province in 2016 was approximately RMB5,855.0, representing a CAGR of 8.9% since 2008. The table below sets out selected data on the property market in Shandong Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	45.4	50.2	50.7	63.6	73.2	75.1	77.9	82.8	82.5	N/A
Total GFA sold (sq.m. in millions)	55.1	70.2	92.9	95.8	86.3	103.3	91.8	97.3	117.9	12,813.2
GFA of residential properties sold (sq.m. in millions)	50.4	64.8	84.5	87.4	77.5	93.0	79.7	85.3	106.0	11,201.0
Total sales revenue (RMB in billions)	163.6	245.9	366.5	425.9	411.2	521.5	488.0	540.8	690.3	809.7
Sales revenue from residential properties (RMB in billions)	143.7	219.6	321.8	375.8	353.0	446.1	400.9	451.1	607.1	689.2
Average price of commodity properties (RMB per sq.m.)	2,970.0	2,505.0	3,944.0	4,447.7	4,763.0	5,048.6	5,315.0	5,559.8	5,855.0	6,319.0
Average price of residential properties (RMB per sq.m.)	2,851.0	3,390.0	3,809.0	4,298.8	4,556.6	4,796.7	5,029.0	5,290.1	5,728.0	6,153.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Jinan City

Jinan is the capital city of Shandong Province. The table below sets out selected economic statistics for Jinan for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	301.7	335.1	391.1	440.6	480.4	523.0	577.1	610.0	653.6	720.2
Per capita GDP (RMB) . . . . .	45,724.0	50,376.0	57,947.0	64,309.5	69,443.8	74,993.0	82,052.0	85,919.0	90,999.0	98,967.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Anhui Province

Anhui Province is located in east China, across the basins of the Yangtze River and the Huaihe River. It has an area of approximately 139,427 sq.km. In 2016, Anhui Province had a population of approximately 62.0 million. The table below sets out selected economic statistics of Anhui Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	885.2	1,006.3	1,235.9	1,530.1	1,721.2	1,922.9	2,084.9	2,200.6	2,440.8	2,701.8
Per capita GDP (RMB) . . . . .	14,448.2	16,407.7	20,887.8	25,659.3	28,792.0	32,001.0	34,424.6	35,997.0	39,561.0	43,401.4
Per capita disposable income of urban households . . . . .	12,990.4	14,085.7	15,788.2	18,606.1	21,024.2	22,789.3	24,838.5	26,935.8	29,156.0	31,640.3

Source: National Bureau of Statistics, Provincial/local statistics department

According to the NBS, properties with a total GFA of 53.8 million sq.m. were completed in Anhui Province in 2016. The total sales revenue amounted to approximately RMB503.6 billion. The average price per sq.m. of commodity properties in Anhui Province in 2016 was approximately RMB5,924.0, representing a CAGR of 9.1% since 2008.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	25.4	28.6	30.3	36.3	39.7	51.8	52.0	55.4	53.8	N/A
GFA of residential properties completed (sq.m. in millions) . . . . .	21.3	23.5	24.1	28.9	31.2	39.2	38.3	41.0	40.5	N/A
Total GFA sold (sq.m. in millions) . . . . .	27.9	40.3	41.5	46.1	48.3	62.7	62.0	61.7	85.0	92.0
GFA of residential properties sold (sq.m. in millions) . . . . .	25.4	36.5	36.4	39.9	42.8	55.7	53.6	53.6	75.1	79.5
Total sales revenue (RMB in billions) . . . . .	82.1	137.8	174.7	220.0	233.0	318.3	334.5	336.9	503.6	586.6
Sales revenue from residential properties (RMB in billions) . . . . .	71.4	118.0	142.0	174.5	192.2	266.2	269.2	271.4	423.2	487.9
Average price of commodity properties (RMB per sq.m.) . . . . .	2,949.0	3,420.0	4,205.0	4,776.1	4,825.0	5,080.1	5,394.0	5,457.4	5,924.0	6,375.0
Average price of residential properties (RMB per sq.m.) . . . . .	2,808.0	3,235.0	3,899.0	4,371.2	4,495.1	4,776.2	5,019.0	5,067.1	5,637.0	6,137.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Hefei City

Hefei is the largest city and the capital of Anhui Province, located in the central region of the province. As of December 31, 2016, Hefei had a population of approximately 7.9 million. Hefei's GDP reached approximately RMB627.4 billion in 2016, representing a per capita GDP of approximately RMB80,136.0. The table below sets out selected economic statistics of Hefei for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	166.5	210.2	296.2	363.7	416.4	467.3	515.8	566.0	627.4	700.3
Per capita GDP (RMB) . . . . .	34,482.0	41,543.0	54,796.0	48,540.0	55,182.1	61,555.0	67,394.0	73,102.0	80,136.0	88,456.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Sichuan Province

Sichuan Province is located in the southwestern region of China. It has an area of approximately 187,000 sq.km. In 2016, Sichuan had a population of approximately 82.6 million. The table below sets out selected economic statistics of Sichuan Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	1,260.1	1,415.1	1,718.5	2,102.7	2,387.3	2,639.2	2,853.7	3,005.3	3,293.5	3,698.0
Per capita GDP (RMB) . . . . .	15,495.0	17,339.0	21,182.0	26,133.0	29,608.0	32,617.0	35,128.0	36,775.0	40,003.0	44,651.0
Per capita disposable income of urban households . . . . .	12,633.4	13,839.4	15,461.2	17,899.1	20,307.0	22,227.5	24,234.4	26,205.3	28,335.3	30,727.0

Source: National Bureau of Statistics, Provincial/local statistics department

According to the NBS, the average price per sq.m. of commodity properties in Sichuan Province in 2016 was approximately RMB5,762.0, representing a CAGR of 7.8% since 2008. The table below sets out selected data on the property market in Sichuan Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	33.5	42.8	39.7	42.3	58.7	51.1	53.5	45.5	70.5	N/A
GFA of residential properties completed (sq.m. in millions) . . . . .	29.0	36.8	33.9	34.6	47.1	40.3	38.7	31.5	46.8	N/A
Total GFA sold (sq.m. in millions) . . . . .	35.0	59.7	64.0	65.4	64.6	73.1	71.4	76.7	93.0	108.7
GFA of residential properties sold (sq.m. in millions) . . . . .	32.5	55.5	58.5	58.3	56.8	65.1	61.8	65.0	78.8	87.9
Total sales revenue (RMB in billions) . . . . .	110.5	209.4	264.7	321.8	351.8	402.0	399.7	420.0	535.9	675.7
Sales revenue from residential properties (RMB in billions) . . . . .	99.6	190.7	233.1	267.7	281.6	330.9	314.5	327.0	429.6	517.4
Average price of commodity properties (RMB per sq.m.) . . . . .	3,157.0	3,509.0	4,138.5	4,917.9	5,448.8	5,497.6	5,597.0	5,475.7	5,762.0	6,217.0
Average price of residential properties (RMB per sq.m.) . . . . .	3,067.0	3,434.0	3,984.8	4,595.1	4,959.2	5,086.0	5,092.0	5,033.6	5,449.0	5,888.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Henan Province

Henan Province is located in the central region of China. It has an area of approximately 64,000 sq.km. In 2016, Henan had a population of approximately 95.3 million. The table below sets out selected economic statistics of Henan Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	1,801.9	1,948.0	2,309.2	2,693.1	2,959.9	3,219.1	3,493.8	3,700.2	4,047.2	4,498.8
Per capita GDP (RMB) . . . . .	19,180.9	20,596.8	24,446.1	28,661.0	31,499.0	34,211.0	37,071.7	39,123.0	42,575.0	47,130.0
Per capita disposable income of urban households . . . . .	13,231.1	14,371.6	15,930.3	18,194.8	20,442.6	21,740.7	23,672.1	25,575.6	27,232.9	29,558.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

According to the NBS, the average price per sq.m. of commodity properties in Henan Province in 2016 was approximately RMB4,964.0, representing a CAGR of 9.9% since 2008. The table below sets out selected data on the property market in Henan Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	30.3	34.0	44.3	55.3	58.7	59.7	73.2	53.9	63.0	N/A
GFA of residential properties completed (sq.m. in millions) . . . . .	26.0	29.9	38.5	48.1	48.9	49.2	57.7	42.4	50.2	N/A
Total GFA sold (sq.m. in millions) . . . . .	31.9	43.4	54.5	62.8	59.7	73.1	78.8	85.6	113.1	133.1
GFA of residential properties sold (sq.m. in millions) . . . . .	29.4	40.2	50.9	57.3	54.6	65.6	70.1	76.5	101.4	117.1
Total sales revenue (RMB in billions) . . . . .	74.6	115.6	165.9	219.7	228.7	307.4	344.1	394.6	561.3	712.9
Sales revenue from residential properties (RMB in billions) . . . . .	62.9	100.5	145.5	178.8	191.6	251.6	274.0	330.0	483.9	589.8
Average price of commodity properties (RMB per sq.m.) . . . . .	2,339.0	2,666.0	3,042.4	3,500.8	3,831.2	4,205.3	4,366.0	4,611.0	4,964.0	5,355.0
Average price of residential properties (RMB per sq.m.) . . . . .	2,138.0	2,501.0	2,856.3	3,123.2	3,511.3	3,834.9	3,909.0	4,317.0	4,774.0	5,038.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Hunan Province

Hunan Province is located in the southern region of China, to the north of Guangdong Province. It has an area of approximately 211,487 sq.km. In 2016, Hunan Province had a population of approximately 68.2 million. The table below sets out selected economic statistics of Hunan Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	1,155.5	1,306.0	1,603.8	1,967.0	2,215.4	2,462.2	2,703.7	2,890.2	3,155.1	3,459.1
Per capita GDP (RMB) . . . . .	18,147.0	20,428.0	24,719.0	29,880.0	33,480.0	36,943.0	40,270.5	42,754.0	46,382.0	50,563.0
Per capita disposable income of urban households . . . . .	13,821.2	15,084.3	16,565.7	18,844.1	21,318.8	24,352.0	26,570.2	28,838.1	31,283.9	33,948.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

According to NBS, properties with a total GFA of 45.3 million sq.m. were completed in Hunan Province in 2016. The total sales revenue amounted to approximately RMB375.2 billion, of which approximately RMB311.4 billion was from the sale of residential properties. The average price per sq.m. of commodity properties and residential properties in Hunan Province in 2016 was approximately RMB4,640.0 and RMB4,330.0, respectively, representing a CAGR of 9.2% and 9.4%, respectively, since 2008. The table below sets out selected data on the property market in Hunan Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	23.9	29.7	33.5	41.5	44.6	45.9	40.2	39.7	45.3	N/A
GFA of residential properties completed (sq.m. in millions)	20.4	25.0	28.3	34.4	36.9	37.6	31.8	30.9	33.6	N/A
Total GFA sold (sq.m. in millions)	26.6	35.1	44.7	49.0	51.5	59.5	54.4	63.6	80.9	85.3
GFA of residential properties sold (sq.m. in millions)	24.1	32.6	41.4	44.6	46.6	54.1	48.5	56.7	71.9	73.7
Total sales revenue (RMB in billions)	61.1	94.2	140.6	185.7	208.5	252.6	229.9	273.9	375.2	446.1
Sales revenue from residential properties (RMB in billions)	51.0	82.6	124.8	157.0	171.2	211.5	185.9	225.4	311.4	357.1
Average price of commodity properties (RMB per sq.m.)	2,302.0	2,680.0	3,146.0	3,790.3	4,048.6	4,243.1	4,227.0	4,304.0	4,640.0	5,228.0
Average price of residential properties (RMB per sq.m.)	2,113.0	2,532.0	3,014.0	3,523.6	3,669.6	3,908.3	3,830.0	3,974.0	4,330.0	4,846.0

Source: National Bureau of Statistics, Provincial/local statistics department

### Changsha City

Changsha is the capital of Hunan Province, located in the central eastern region of the province. As of December 31, 2016, Changsha had a population of approximately 7.6 million. Changsha's GDP reached approximately RMB945.5 billion in 2016, representing a per capita GDP of approximately RMB123,681.0. The table below sets out selected economic statistics of Changsha for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions)	300.1	374.5	454.7	561.9	640.0	715.3	782.5	851.0	945.5	1,053.6
Per capita GDP (RMB)	45,765.0	56,620.0	66,443.0	79,530.0	89,903.0	99,570.0	108,356.0	115,443.0	123,681.0	135,388.0

Source: National Bureau of Statistics, Provincial/local statistics department

### Jiangxi Province

Jiangxi Province is located in the southeastern region of China. It has an area of approximately 64,400 sq.km. In 2016, Jiangxi had a population of approximately 45.9 million. The table below sets out selected economic statistics of Jiangxi Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions)	697.1	765.5	945.1	1,170.3	1,294.9	1,441.0	1,571.5	1,672.4	1,849.9	2,081.9
Per capita GDP (RMB)	15,900.0	17,335.0	21,253.0	26,150.0	28,800.0	31,930.0	34,674.0	36,724.0	40,400.0	45,187.0
Per capita disposable income of urban households	12,866.4	14,021.5	15,481.1	17,494.9	19,860.4	22,120.0	24,309.2	26,500.1	28,673.3	31,198.0

Source: National Bureau of Statistics, Provincial/local statistics department

According to the NBS, the average price per sq.m. of commodity properties in Jiangxi Province in 2016 was approximately RMB5,709.0, representing a CAGR of 13.1% since 2008. The table below sets out selected data on the property market in Jiangxi Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	15.9	16.5	18.2	19.1	17.5	17.9	18.7	19.1	16.4	N/A
GFA of residential properties completed (sq.m. in millions)	13.5	14.4	15.5	16.2	14.4	14.3	15.1	15.3	13.2	N/A
Total GFA sold (sq.m. in millions)	17.3	22.8	24.7	24.2	24.0	31.7	30.7	34.8	46.9	58.4
GFA of residential properties sold (sq.m. in millions)	16.0	21.1	22.7	21.6	21.3	28.5	27.8	31.5	41.4	49.6
Total sales revenue (RMB in billions)	36.9	60.3	77.6	100.2	113.7	164.8	162.2	186.4	267.8	359.3
Sales revenue from residential properties (RMB in billions)	32.4	53.1	67.0	82.4	93.1	139.6	137.9	160.7	220.7	288.0
Average price of commodity properties (RMB per sq.m.)	2,136.0	2,643.0	3,143.7	4,147.7	4,744.7	5,203.2	5,288.0	5,358.0	5,709.0	6,150.0
Average price of residential properties (RMB per sq.m.)	2,022.0	2,517.0	2,958.6	3,822.0	4,381.2	4,905.3	4,971.0	5,107.3	5,331.0	5,800.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Tibet Autonomous Region

Tibet is an autonomous region in western China. The table below sets out selected economic statistics for Tibet for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions)	39.5	44.1	50.7	60.6	70.1	80.6	92.1	102.6	115.1	131.1
Per capita GDP (RMB)	13,824.0	15,295.0	17,319.0	20,077.0	22,936.0	26,326.0	29,252.0	31,999.0	35,184.0	39,259.0
Per capita disposable income of urban households	12,482.0	13,544.0	14,981.0	16,196.0	18,028.0	20,394.5	22,015.8	25,456.6	27,802.4	30,671.0

Source: National Bureau of Statistics, Provincial/local statistics department

The GFA of completed residential properties in Tibet was approximately 0.3 million sq.m. in 2016, representing an decrease of 64.0% from 2015. Total residential GFA sold in Tibet in 2016 was approximately 0.7 million sq.m.. The average price of residential GFA sold in Tibet in 2016 was RMB4,876.0 per sq.m.. The table below sets out selected statistics relating to the property market in Tibet for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	0.5	0.5	0.1	0.2	0.1	0.2	0.5	0.9	0.3	N/A
GFA of residential properties completed (sq.m. in millions)	0.5	0.4	0.1	0.2	0.1	0.1	0.3	0.7	0.3	N/A
Total GFA sold (sq.m. in millions)	0.7	0.6	0.2	0.2	0.2	0.3	0.6	0.5	0.7	0.5
GFA of residential properties sold (sq.m. in millions)	0.6	0.1	0.2	0.2	0.2	0.2	0.5	0.5	0.7	0.4
Total sales revenue (RMB in billions)	2.2	1.6	0.6	0.6	0.7	1.1	3.4	2.1	3.8	3.5
Sales revenue from residential properties (RMB in billions)	1.9	1.5	0.5	0.6	0.6	0.9	2.9	1.7	3.5	2.5
Average price of commodity properties (RMB per sq.m.)	3,202.0	2,452.0	2,896.0	3,474.5	3,268.6	4,173.5	5,774.0	4,111.0	5,112.0	6,626.0
Average price of residential properties (RMB per sq.m.)	3,103.0	2,392.0	2,751.0	3,312.0	2,982.0	3,883.4	5,323.0	3,605.4	4,876.0	5,604.0

Source: National Bureau of Statistics, Provincial/local statistics department



## Lhasa City

Lhasa is the administrative capital of Tibet Autonomous Region. The table below sets out selected economic statistics for Lhasa for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	14.2	15.4	17.9	22.2	26.0	30.5	34.7	37.7	42.5	47.9
Per capita GDP (RMB) . . . . .	20,404.0	20,264.0	31,948.0	39,176.0	45,019.0	50,812.0	N/A	59,223.0	N/A	N/A

Source: National Bureau of Statistics, Provincial/local statistics department

## Gansu Province

Gansu Province is located in northwest China. The table below sets out selected economic statistics for Gansu for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	316.7	338.8	412.1	502.0	565.0	633.1	683.7	679.0	720.0	767.7
Per capita GDP (RMB) . . . . .	12,421.0	13,269.0	16,113.0	19,595.0	21,978.0	24,539.0	26,432.9	26,165.0	27,643.0	29,325.8
Per capita disposable income of urban households . . . . .	10,969.6	11,929.8	13,188.6	14,988.7	17,156.9	19,873.4	21,803.9	23,767.1	25,693.5	27,763.4

Source: National Bureau of Statistics, Provincial/local statistics department

According to the NBS, the average price per sq.m. of commodity properties in Gansu Province in 2016 was approximately RMB5,201.0, representing a CAGR of 13.0% since 2008. The table below sets out selected data on the property market in Gansu Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	5.5	5.4	6.0	7.4	8.4	9.2	8.1	9.6	9.9	8.5
Total GFA sold (sq.m. in millions) . . . . .	6.2	7.0	7.6	8.4	9.8	12.2	13.3	14.3	16.8	15.6
GFA of residential properties sold (sq.m. in millions) . . . . .	5.9	6.6	6.9	7.6	8.9	11.3	12.1	13.1	14.8	13.9
Total sales revenue (RMB in billions) . . . . .	12.2	17.4	23.0	27.8	34.9	47.4	60.2	70.5	87.3	89.0
Sales revenue from residential properties (RMB in billions) . . . . .	10.9	15.8	20.3	23.7	30.2	41.8	51.3	60.3	71.2	73.8
Average price of commodity properties (RMB per sq.m.) . . . . .	1,958.0	2,483.0	3,042.0	3,318.2	3,570.1	3,885.7	4,544.0	4,913.0	5,201.0	5,709.0
Average price of residential properties (RMB per sq.m.) . . . . .	1,851.0	2,396.0	2,938.0	3,130.0	3,376.1	3,684.1	4,234.0	4,613.0	4,817.0	5,326.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Lanzhou City

Lanzhou is the capital city of Gansu Province. The table below sets out selected economic statistics for Lanzhou for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	84.6	92.6	110.0	136.0	156.4	177.6	200.1	209.6	226.4	252.4
Per capita GDP (RMB) . . . . .	25,628.0	27,904.0	34,009.0	37,570.0	43,175.0	48,852.0	52,378.0	56,972.0	61,207.0	67,881.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Hubei Province

Hubei Province is located in the central region of China. It has an area of approximately 185,900 sq.km. In 2016, Hubei Province had a population of approximately 58.9 million. The table below sets out selected economic statistics of Hubei Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	1,172.9	1,324.0	1,618.2	2,016.7	2,265.9	2,479.2	2,737.9	2,955.0	3,266.5	3,547.8
Per capita GDP (RMB) . . . . .	19,858.0	22,677.0	27,906.0	34,197.3	38,572.0	42,826.0	47,144.6	50,654.0	55,665.0	60,198.7
Per capita disposable income of urban households . . . . .	13,152.9	14,367.5	16,058.4	18,373.9	20,839.6	22,667.9	24,852.3	27,051.5	29,385.8	31,889.4

*Source: National Bureau of Statistics, Provincial/local statistics department*

According to NBS, properties with a total GFA of 31.3 million sq.m. were completed in Hubei Province in 2016, representing a CAGR of 5.4% since 2008. In 2016, the total sales revenue amounted to approximately RMB499.4 billion. The average price per sq.m. of commodity properties in Hubei Province in 2016 was approximately RMB6,724.0, representing a CAGR of 10.6% since 2008. The table below sets out selected data on the property market in Hubei Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	20.6	23.1	25.4	32.2	32.7	30.4	34.3	27.9	31.3	N/A
GFA of residential properties completed (sq.m. in millions) . . . . .	18.0	20.1	21.3	27.3	28.0	25.5	28.1	21.9	23.5	N/A
Total GFA sold (sq.m. in millions) . . . . .	19.4	27.2	35.1	41.9	40.4	53.0	56.0	62.4	74.3	81.6
GFA of residential properties sold (sq.m. in millions) . . . . .	18.2	25.8	32.4	37.9	36.2	47.7	50.0	56.5	67.9	73.6
Total sales revenue (RMB in billions) . . . . .	58.3	96.0	131.3	187.9	203.6	279.0	308.8	366.1	499.4	625.9
Sales revenue from residential properties (RMB in billions) . . . . .	52.8	87.9	113.5	156.9	169.0	231.0	254.4	319.9	438.4	538.0
Average price of commodity properties (RMB per sq.m.) . . . . .	3,001.0	3,532.0	3,743.0	4,486.4	5,042.8	5,266.2	5,513.0	5,863.0	6,724.0	7,675.0
Average price of residential properties (RMB per sq.m.) . . . . .	2,898.0	3,413.0	3,506.0	4,142.1	4,668.0	4,847.2	5,085.0	5,663.4	6,457.0	7,307.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Wuhan City

Wuhan is the capital of Hubei Province, located at the confluence of the Changjiang and Hanjiang Rivers. As at December 31, 2016, Wuhan had a population of approximately 10.8 million. Wuhan's GDP reached approximately RMB1,191.3 billion in 2016. The table below sets out selected economic statistics of Wuhan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	396.0	462.1	556.6	676.2	800.4	905.1	1,006.9	1,090.6	1,191.3	1,341.0
Per capita GDP (RMB) . . . . .	44,290.0	51,144.0	58,961.0	68,315.0	79,482.0	88,999.7	N/A	104,132.0	111,469.0	123,831.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Fujian Province

Fujian Province is located on the southeast coast of China. The table below sets out selected economic statistics for Fujian Province for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	1,082.3	1,195.0	1,435.7	1,741.0	1,970.2	2,186.9	2,405.6	2,598.0	2,881.1	3,218.2
Per capita GDP (RMB) . . . . .	30,123.0	33,051.0	39,432.0	46,972.0	52,763.0	58,145.0	63,472.0	67,966.0	74,707.0	82,677.0
Per capita disposable income of urban households . . . . .	17,961.5	19,577.0	21,781.0	24,907.0	28,055.0	28,173.9	30,722.4	33,275.3	36,014.3	39,001.4

*Source: National Bureau of Statistics, Provincial/local statistics department*

The GFA of completed residential properties in Fujian Province was approximately 24.2 million sq.m. in 2016, representing an increase of 0.9% over 2015. Total residential GFA sold in Fujian Province in 2016 was approximately 41.3 million sq.m.. The average price of residential GFA sold in Fujian Province in 2016 was RMB9,175.0 per sq.m.. The table below sets out selected statistics relating to the property market in Fujian Province for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	19.1	22.4	22.4	26.5	22.3	33.7	35.8	34.4	36.7	N/A
GFA of residential properties completed (sq.m. in millions) . . . . .	14.2	17.0	17.2	20.1	15.6	23.4	25.7	24.0	24.2	N/A
Total GFA sold (sq.m. in millions) . . . . .	16.3	27.2	25.8	27.1	32.6	46.8	41.2	40.4	49.2	58.5
GFA of residential properties sold (sq.m. in millions) . . . . .	12.5	24.2	21.4	22.1	27.4	39.6	33.2	33.2	41.3	45.3
Total sales revenue (RMB in billions) . . . . .	71.3	147.8	161.1	210.2	281.8	423.2	376.4	358.6	453.1	570.5
Sales revenue from residential properties (RMB in billions) . . . . .	56.2	129.9	130.0	165.0	229.4	341.1	294.0	284.0	379.3	420.2
Average price of commodity properties (RMB per sq.m.) . . . . .	4,384.0	5,427.0	6,256.0	7,764.3	8,646.1	9,050.3	9,136.0	8,881.0	9,218.0	9,746.0
Average price of residential properties (RMB per sq.m.) . . . . .	4,498.1	5,366.3	6,077.5	7,452.0	8,366.0	8,618.1	8,843.0	8,565.0	9,175.0	9,284.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Fuzhou City

Fuzhou is the capital city and one of the largest cities in Fujian Province. The table below sets out selected economic statistics for Fuzhou for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	228.4	252.4	312.3	373.6	421.1	467.9	516.9	561.8	619.8	708.6
Per capita GDP (RMB) . . . . .	33,615.0	36,857.0	43,615.0	52,144.0	58,019.0	63,747.0	69,569.0	72,259.0	82,253.0	93,047.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Beijing Municipality

Beijing Municipality is the capital of China. Beijing is one of the four municipalities under the direct administration of the PRC central government and is China's political, cultural and educational center. The table below sets out selected economic statistics for Beijing for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	1,048.8	1,186.6	1,377.8	1,600.0	1,780.1	1,950.1	2,133.1	2,301.5	2,566.9	2,801.5
Per capita GDP (RMB) . . . . .	63,029.0	68,788.0	70,251.0	80,394.0	87,091.0	93,213.0	99,995.0	106,497.0	118,198.0	128,994.0
Per capita disposable income of urban households . . . . .	24,725.0	26,738.0	29,037.0	32,903.0	36,469.0	44,563.9	48,531.8	52,859.2	57,275.3	62,406.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

The GFA of completed residential properties in Beijing was approximately 12.7 million sq.m. in 2016, representing a decrease of 8.2% over 2015. Total residential GFA sold in Beijing in 2016 was approximately 9.8 million sq.m., representing a decrease of 13.2% from 2015. The average price of residential GFA sold in Beijing in 2016 was RMB28,489.0 per sq.m., representing an increase of approximately 27.8% over 2015. The table below sets out selected statistics relating to the property market in Beijing for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	25.6	26.8	23.9	22.4	23.9	26.7	30.5	26.3	23.7	N/A
GFA of residential properties completed (sq.m. in millions) . . . . .	14.0	16.1	15.0	13.2	15.2	17.0	18.0	13.8	12.7	N/A
Total GFA sold (sq.m. in millions) . . . . .	13.4	23.6	16.4	14.4	19.4	19.0	14.5	15.5	16.6	8.7
GFA of residential properties sold (sq.m. in millions) . . . . .	10.3	18.8	12.0	10.4	14.8	13.6	11.4	11.3	9.8	6.1
Total sales revenue (RMB in billions) . . . . .	165.8	326.0	291.5	242.5	330.9	353.1	273.9	351.8	456.2	279.6
Sales revenue from residential properties (RMB in billions) . . . . .	120.1	248.7	206.1	160.6	245.6	243.5	210.2	251.3	279.6	207.7
Average price of commodity properties (RMB per sq.m.) . . . . .	12,418.0	13,799.0	17,781.7	16,852.0	17,021.6	18,552.9	18,833.0	22,633.0	27,497.0	32,140.0
Average price of residential properties (RMB per sq.m.) . . . . .	11,648.0	13,224.0	17,151.0	15,517.9	16,553.5	17,854.0	18,499.0	22,300.0	28,489.0	34,117.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

## Chongqing Municipality

Chongqing is one of the four municipalities under the direct administration of the PRC central government and an important economic hub in southwestern China. The table below sets out selected economic statistics for Chongqing for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	579.4	653.0	792.6	1,001.1	1,141.0	1,265.7	1,426.5	1,571.7	1,774.1	1,950.0
Per capita GDP (RMB) . . . . .	20,490.0	22,920.0	27,596.0	34,500.0	38,914.0	42,795.0	48,032.0	52,321.0	58,502.0	63,689.0
Per capita disposable income of urban households . . . . .	14,367.6	15,748.7	17,532.4	20,249.7	22,968.1	43,223.0	47,850.0	27,238.8	29,610.0	32,193.0

*Source: National Bureau of Statistics, Provincial/local statistics department*

According to the NBS, the average price per sq.m. of commodity properties in Chongqing Municipality in 2016 was approximately RMB5,485.0, representing a CAGR of 8.8% since 2008. The table below sets out selected data on the property market in Chongqing Municipality for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	23.7	29.1	26.3	34.2	39.9	38.0	37.2	46.3	44.2	50.6
Total GFA sold (sq.m. in millions) . . . .	28.7	40.0	43.1	45.3	45.2	48.2	51.0	53.8	62.6	67.1
GFA of residential properties sold (sq.m. in millions) . . . . .	19.5	23.8	21.8	28.3	33.9	28.7	27.7	44.8	51.1	54.5
Total sales revenue (RMB in billions) . .	80.0	137.8	184.7	214.6	229.7	268.3	N/A	295.2	343.2	455.8
Sales revenue from residential properties (RMB in billions) . . . . .	70.5	123.2	161.1	182.5	197.2	228.4	N/A	224.4	263.6	360.1
Average price of commodity properties (RMB per sq.m.) . . . . .	2,785.0	3,442.0	4,280.9	4,733.8	5,079.9	5,568.7	5,519.0	5,486.0	5,485.0	6,792.0
Average price of residential properties (RMB per sq.m.) . . . . .	2,640.0	3,266.0	4,040.4	4,492.3	4,804.8	5,238.5	5,094.0	5,012.0	5,162.0	6,605.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Shanxi Province

Shanxi Province is in central northern China. The table below sets out selected economic statistics for Shanxi Province for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	731.5	735.8	920.1	1,123.8	1,211.3	1,266.5	1,276.2	1,276.6	1,305.0	1,552.8
Real GDP growth rate (%) . . . . .	8.5	5.4	13.9	13.0	10.1	8.9	N/A	N/A	N/A	N/A
Per capita GDP (RMB) . . . . .	21,506.0	21,522.0	26,283.0	31,357.0	33,628.0	34,984.0	35,070.0	34,919.0	35,532.0	42,060.0
Per capita disposable income of urban households . . . . .	13,119.1	13,996.6	15,647.7	18,123.9	20,411.7	22,258.2	24,069.4	25,827.7	27,352.3	29,131.8

Source: National Bureau of Statistics, Provincial/local statistics department

According to the NBS, the average price per sq.m. of commodity properties in Shanxi Province in 2016 was approximately 4,984.0, representing a CAGR of 9.8% since 2008. The table below sets out selected data on the property market in Shanxi Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	8.8	9.2	9.0	11.3	16.5	15.1	21.9	21.1	26.8	19.7
Total GFA sold (sq.m. in millions) . . . .	9.9	10.3	11.8	12.8	15.0	16.4	15.8	15.9	20.6	24.2
GFA of residential properties sold (sq.m. in millions) . . . . .	8.9	9.6	10.7	11.7	13.9	14.8	14.3	14.8	18.8	22.5
Total sales revenue (RMB in billions) . .	23.4	28.0	41.2	44.1	58.0	72.8	74.6	77.6	102.7	135.7
Sales revenue from residential properties (RMB in billions) . . . . .	20.1	24.6	35.7	37.8	51.3	62.5	64.0	70.2	90.1	122.6
Average price of commodity properties (RMB per sq.m.) . . . . .	2,355.0	2,707.0	3,487.0	3,432.7	3,871.4	4,433.0	4,734.0	4,870.0	4,984.0	5,619.0
Average price of residential properties (RMB per sq.m.) . . . . .	2,253.0	2,552.0	3,338.0	3,231.4	3,690.9	4,211.5	4,462.0	4,742.0	4,788.0	5,457.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Taiyuan City

Taiyuan is the capital city of Shanxi Province in northern China. The table below sets out selected economic statistics for Taiyuan for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	146.8	154.5	177.8	208.0	231.1	241.3	253.1	273.5	295.6	338.2
Per capita GDP (RMB) . . . . .	42,378.0	44,319.0	50,225.0	49,292.0	54,440.0	56,547.0	59,023.0	63,483.0	68,234.0	77,536.0

Source: National Bureau of Statistics, Provincial/local statistics department

## Guizhou Province

Guizhou Province is located in the southwestern region of China. It has an area of approximately 68,018 sq.km. In 2016, Guizhou had a population of approximately 35.6 million. The table below sets out selected economic statistics of Guizhou Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billions) . . . . .	356.2	391.3	460.2	570.2	685.2	808.7	926.6	1,050.3	1,177.7	1,354.1
Per capita GDP (RMB) . . . . .	9,855.0	10,971.0	13,119.0	16,413.0	19,710.0	23,151.0	26,437.0	29,847.0	33,246.0	37,956.0
Per capita disposable income of urban households . . . . .	11,758.8	12,862.5	14,142.7	16,495.0	18,700.5	20,564.9	22,548.2	24,579.6	26,742.6	29,079.8

Source: National Bureau of Statistics, Provincial/local statistics department

According to the NBS, the average price per sq.m. of commodity properties in Guizhou Province in 2016 was approximately RMB4,307.0, representing a CAGR of 7.9% since 2008. The table below sets out selected data on the property market in Guizhou Province for the periods indicated.

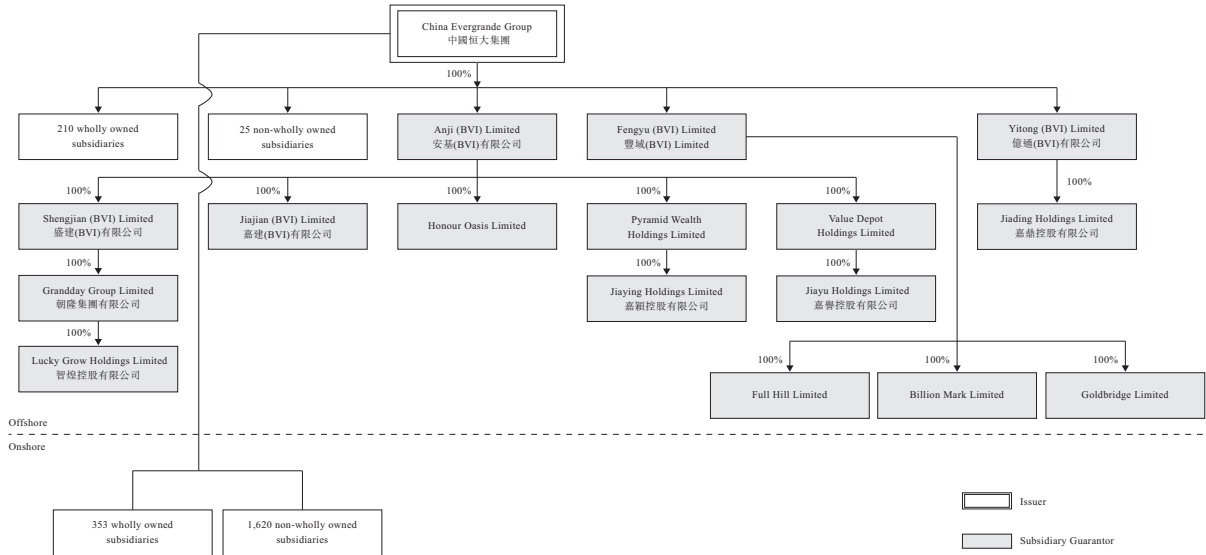
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA completed (sq.m. in millions)	7.2	12.2	10.5	14.6	14.2	17.6	28.4	25.8	19.0	11.7
GFA of residential properties completed (sq.m. in millions) . . . . .	5.9	10.4	8.3	11.0	11.2	13.5	20.5	19.3	12.8	7.9
Total GFA sold (sq.m. in millions) . . . . .	9.1	16.5	17.3	18.8	21.9	29.7	31.8	35.6	41.6	47.0
GFA of residential properties sold (sq.m. in millions) . . . . .	8.5	15.4	16.0	17.0	20.0	26.5	27.1	29.4	34.3	39.0
Total sales revenue (RMB in billions) . . . . .	21.2	47.5	58.1	73.2	90.0	127.7	137.0	157.2	179.1	224.1
Sales revenue from residential properties (RMB in billions) . . . . .	18.0	40.7	50.2	59.3	74.0	98.9	100.0	106.8	126.9	162.3
Average price of commodity properties (RMB per sq.m.) . . . . .	2,339.0	2,874.0	3,357.1	3,888.8	4,115.7	4,295.3	4,312.0	4,415.1	4,307.0	4,771.0
Average price of residential properties (RMB per sq.m.) . . . . .	2,122.0	2,642.0	3,142.4	3,489.7	3,695.4	3,735.5	3,694.0	3,629.0	3,704.0	4,165.0

Source: National Bureau of Statistics, Provincial/local statistics department



## CORPORATE STRUCTURE

The following chart shows our simplified corporate structure as of June 30, 2018. The companies marked with shading are all Subsidiary Guarantors under the Indentures.



## BUSINESS

### Business Overview

We are the largest real estate development company in China in terms of contracted sales attributable to the Group and land reserves in 2017, according to China Real Estate Information Corporation and the land reserve data disclosed by relevant companies in their applicable stock exchange filings. Founded in Guangzhou City, Guangdong Province in 1996, we have become a leading national property developer through our economies of scale and widely recognized brand name, under the leadership of our management team. Over the years, our focus on a centralized management system, a standardized operational model and quality products have allowed us to quickly replicate our success across China. We focus primarily on provincial capitals and other selected cities that we believe have high-growth potential. We continue to improve our geographical mix by focusing on replenishment of quality land reserves and taking a balanced approach to the distribution of land reserves among first-, second- and third-tier cities. Our land reserves cover most of the provincial capitals and municipalities in China. Through our standardized operational model, we have been able to simultaneously manage projects in various development and sale stages in 228 cities across China as of June 30, 2018.

Our residential property development integrates planning, design, construction and property management and follows our standardized process management to ensure development speed and product quality. We have been awarded the highest recognition in China in real estate development, architectural planning and design, construction, construction supervision and property management, and have been ranked among the “Top 10 Property Developers of China” for 14 consecutive years since 2004 by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center and China Index Academy. We ranked as No. 2 of the “Top 500 Real Estate Companies of China” for six consecutive years since 2011, No. 1 of the “Top 10 Real Estate Companies of China” in 2017 and No. 1 of the “Top 100 Real Estate Companies of China” in 2018. We were also ranked 230th on Fortune Global 500 in 2018.

We had the largest land reserves among all PRC property developers listed in China and Hong Kong as of June 30, 2018, based on the land reserve data disclosed by relevant companies in their applicable stock exchange filing. We had a total of 822 property projects under development or held for future development, a total planned GFA of approximately 305 million sq.m. of high-quality and relatively low-cost land as of June 30, 2018 with an average cost of approximately RMB1,683 per square meter, as calculated by dividing our aggregate land purchase price by our aggregate planned GFA. As of June 30, 2018, we had an aggregate of approximately RMB107.8 billion outstanding land premiums.

Over the years, we have developed and introduced various distinctive product series to the market, including:

- *Mid- to mid-high-end series* represented by products within our Evergrande Oasis (恒大綠洲) series, Evergrande Metropolis (恒大名都) series, Evergrande City (恒大城) series, Evergrande Atrium (恒大雅苑) series, Evergrande Royal Scenic Bay (恒大御景灣), Evergrande Emerald Court (恒大翡翠華庭) series, Evergrande Bay (恒大江灣) series, Evergrande Plaza (恒大廣場) series and Evergrande Bund (恒大外灘) series which we target to account for approximately 85% of our current projects, and are marketed toward middle to upper-middle income residents, who currently constitute the largest segment of residential real estate purchasers. Evergrande Metropolis and Evergrande City are urban residential complexes in major cities, while Evergrande Oasis and Evergrande Atrium are located in areas with the requisite natural landscape. These series are equipped with well-developed facilities and amenities within the complexes.

- *High-end series* represented by products within our Evergrande Palace (恒大華府) series, Evergrande Royal Scenic Peninsula (恒大御景半島) series, Evergrande Emperor Scenic (恒大帝景) series and Evergrande Royal Scenic (恒大御景) series, which we target to account for approximately 15% of our current projects, and are positioned as high-end and premium residential properties in urban centers. These series target high-income residents in such regions.
- Our tourism related business, mainly consisting of Evergrande Venice on the Sea Qidong Project (啟東恒大海上海尼爾斯項目) and the Hainan Ocean Flower Island Project (中國海南海花島項目). Through these projects, we focus on developing large-scale cultural tourism projects catering tourists and vacation house owners, including large-scale facilities, such as man-made islands, beaches, Evergrande Fairyland Theme Park (恒大童世界), recreation and shopping facilities, large-scale hotels, as well as large conference centers able to accommodate thousands of conference attendees.

We design and develop all of our product series under our standardized operational model and market them under the brand name of “Evergrande” on a nationwide basis.

We strive to provide high-quality residential products to the market by focusing on every step of the development process, from site selection, planning, landscaping and construction to fitting-out and property management. We aim to deliver “best-in-class” end-products to our customers. Over years, our products have gained wide brand recognition among consumers, as reflected by our strong contracted sales and sales records. For the years ended December 31, 2015, 2016, 2017 and 2018, our total contracted sales, which have not been audited or reviewed by our auditors, amounted to approximately RMB201.3 billion, RMB373.4 billion, RMB501.0 billion (US\$75.7 billion) and RMB551.3 billion (US\$83.3 billion), respectively, with a total contracted sales GFA of approximately, 25.5 million sq.m., 44.7 million sq.m., 50.3 million sq.m. and 52.4 million sq.m., respectively. The average selling price for our contracted sales in 2018 was RMB10,515 per square meter, as calculated based on our internal records.

Leveraging our strengths in the property industry, we have taken significant initiatives or made investments to expand into industries including tourism and culture, healthcare, new energy vehicle, high technology as well as banking and insurance with a view to establishing alternative revenue sources and diversifying our business portfolio.

## **Recent Developments**

### ***The Acquisition of NEVS***

In January 2019, we acquired 51% of the shares in National Electric Vehicle Sweden (“NEVS”) in Sweden, a global new energy smart car group. For more information, see the section entitled “Business — Other Business.”

### ***The Issuance of Senior Notes***

Since June 30, 2018, we have incurred additional debt in the ordinary course of business to finance our operations and also for refinancing purposes. On November 6, 2018, Scenery Journey Limited, a subsidiary of the Company, issued US\$565 million 11.0% senior notes due 2020, US\$645 million 13.0% senior notes due 2022 and US\$590 million 13.75% senior notes due 2023. On November 23, 2018, Scenery Journey Limited further issued additional US\$1 billion 11.0% senior notes due 2020, to be consolidated and form a single series with the US\$565 million 11.0% senior notes due 2020. See also “Description of Material Indebtedness and Other Obligations.”

### ***Newly Acquired Land***

Set forth below are some of our major land acquisitions made subsequent to June 30, 2018 involving land premiums of over RMB3.0 billion.

#### ***1. Taizhou Xianju Dawei Century City***

We acquired this project in Taizhou, Zhejiang, for a total land premium of RMB3,812 million. The project occupies an aggregate total site area of approximately 867,764 sq.m.. We hold a 100% equity interest in this project.

#### ***2. Evergrande Sunshine Peninsula***

We acquired this project in Huainan, Anhui, for a total land premium of RMB6,582 million. The project occupies an aggregate total site area of approximately 1,975,805 sq.m.. We hold a 51.0% equity interest in this project.

### ***Dividend Distribution***

On October 19, 2018, we paid a dividend of RMB1.130 per share of the Company for the two financial years of 2016 and 2017.

### ***Strategic Cooperation with Guanghui Group***

On September 21, 2018, we entered into a strategic cooperation agreement with Guanghui Group, pursuant to which the parties agreed to fully cooperate strategically in the fields of vehicle sales, energy, real estate and logistics, to give full play to their strengths in resource integration, and promote relevant industry development. The total consideration for the transaction was RMB14.49 billion.

### ***Our Competitive Strengths***

We believe that we possess the following principal competitive strengths that have allowed us to compete effectively with our peers in the property markets in China:

#### ***We are the largest real estate development company in China.***

We are the largest real estate development company in China in terms of contracted sales attributable to the Group and land reserves in the first half of 2018, according to China Real Estate Information Corporation and the land reserve data disclosed by relevant companies in their applicable stock exchange filings. In the first half of 2018, our contracted sales amounted to approximately RMB304.2 billion, representing a 24.6% increase compared to our contracted sales in the first half of 2017 at RMB244.1 billion. The contracted sales area in the first half of 2018 amounted to approximately 29.1 million sq.m. with an average contracted selling price of RMB10,468 per square meter, representing an increase of 17.4% and 6.1% as compared to the same period in 2016, respectively. We expect the target contracted sales for Hengda Real Estate will continue to grow in the next three years.

In 2018, we were ranked 230th on Fortune Global 500. We have also been awarded the highest recognition in China in real estate development, architectural planning and design, construction, construction supervision and property management, and have been ranked among the “Top 10 Property Developers of China” for 13 consecutive years since 2004 by China Real Estate Top 10 Research Group. We have also been ranked as No. 2 of the “Top 500 Real Estate Companies of China” for six consecutive years since 2011, No. 1 of the “Top 10 Real Estate Companies of China in 2017 and No. 1 of the “Top 100 Real Estate Companies of China” in 2018.”

We believe our leading position in the industry nationwide results from our overall strength, efficient management, comprehensive operational model and high-quality products and services. Over the years, we have developed at a rapid growth rate. We believe this leading position will enable us to further take advantage of our strengths and achieve a stronger performance.

***We are a leader of the standardized operational model for large-scale quality property developments.***

We believe that our industry-leading standardized operational model for quality real estate development is the core strength that has enabled us to effectively execute our rapid and successful nationwide expansion in recent years. We formulate our standardized operational model at our headquarters, which are then implemented through our regional offices under close supervision and monitoring by our senior management. Our standardized model covers various phases in our development process including planning and design of all of our projects nationwide, nationwide centralized bidding and procurement processes, project developments, construction and quality control and sales and marketing as well as property management. Our standardized operational model has allowed us to maintain our high-quality standards on a nationwide basis, to effectively control our costs, to reduce our execution risks and to achieve remarkable growth in recent years.

To support our business plan, we have established a standardized operational procedure across all regional offices, under which the staffing level and compensation schemes are determined by our senior management at the headquarters to ensure the consistency of organizational structure and staff qualification across all regional offices. We have implemented a uniform financial management and reporting system, under which the finance department of each regional office is directly managed by our headquarters. This system allows us to standardize, consolidate and centralize our capital management nationwide. Our centralized internal risk management also covers our archives management and accounts approval process in all our regional offices. We have also established a nationwide contract processing and approval system, which plays an important role in our cost control, facilitates our centralized monitoring of contract execution and in turn strengthens our internal control.

- *Standardized Project Selection*

With respect to the selection of new project sites, we follow a set of strict standards, including:

- **Selection of cities:** provincial capitals, municipalities and other selected cities with sound economic growth, strong buying power, small land supply and great transaction volume;
- **Selection of location:** urban areas with a good environment, including near parks, rivers, good scenery and landscape, convenient transportation, well-planned municipal facilities and growth potential;
- **Selection of project scale:** generally not less than 20,000 sq.m. in GFA for projects in first-tier and second-tier cities and not less than 300,000 sq.m. in GFA for projects in third-tier cities;
- **Profitability:** favorable terms in land premium payment and optimal investment return; and
- **Sales:** target of launching pre-sales within six to eight months from the date of the land acquisition, thereby improving our speed of asset turnover and shortening our cash conversion cycle.

We believe that our standardized project selection process has ensured that each of our new projects is in line with our overall development strategy while minimizing operational risk.

- *Standardized Planning and Design*

We have developed project series based on our product positioning and created standard residential unit layouts, which are then customized for different regional markets and product series. Our standardized designs for each project contain detailed specifications to be followed through each step of the development process, including material and quality standards for building construction, landscaping, ancillary facilities and interior decoration, to ensure consistency and quality of our products throughout the country. In order to maximize our ecological planning effect of low density and high green ratio, we have developed standard design rules for buildings, structures, facades and landscape. With respect to ancillary facilities, we have also established a standardized functional configuration. Our projects are generally equipped with luxurious clubhouses, sports centers, commercial centers, nursery schools and other amenities. In addition, we have also standardized our decoration and finishing based on different regional markets and different types of residential units. These standardized planning and design measures ensure the accurate positioning of our projects, streamlining our planning, the implementation of our brand strategy and the quality of our products.

- *Standardized Use of Materials*

We have also standardized our use of materials, building on our standardized planning and design. We have standardized our procurement of materials in massive quantities in connection with our construction, landscaping, ancillary facilities and decoration. This procurement system has effectively accelerated the progress of our project construction and ensured our product quality. Standardized use of materials has also enabled us to centralize our procurement to reduce construction cost.

- *Standardized and Centralized Tender Process*

We believe that our effective centralized tender process enables us to achieve economies of scale and significant purchasing power. All large-scale projects handled by our regional offices must undergo a centralized bidding process that is supervised by our headquarters. All participants in the bidding must be among the top-rated product, equipment or service providers in their respective fields. Our headquarters are responsible for selecting the ultimate qualified bidder according to our standardized selection and evaluation process. We believe that such standardized tender process has afforded us with significant economies of scale and allowed us to maintain our competitive cost structure while securing quality products, equipment and services at reasonable prices.

- *Standardized Construction Management*

We utilize standardized development models nationwide and closely manage all aspects of the development process based on strict development schedules and specific quality standards. We stipulate construction milestones and strict quality control measures to ensure our construction contractors adhere to both the pre-set construction timeline and our quality standards. We believe standardized construction management enables us to minimize the construction time and achieve our target of launching pre-sales within six to eight months from the date of the land acquisition, thereby shortening our cash conversion cycle and maximizing our investment return.

- *Standardized Marketing*

Our sales and marketing efforts follow standardized procedures in developing, approving and implementing sales and marketing campaigns for all our projects. We formulate our marketing, promotion, pricing and advertising strategies for each of our projects in a highly coordinated and consistent manner to maintain brand equity, but allowing flexibility to adapt to local market dynamics.



We launch our projects for pre-sale only after we have substantially completed the relevant landscaping, ancillary facilities and mock-up units in order to demonstrate our superior product quality which in turn strengthens consumer confidence. We believe our actual on-site launch standard enhances the marketing impact, saleability and pricing of our products.

***We have strategically acquired large, relatively low-cost land reserves, with 305 million sq.m. in 228 cities across China as of June 30, 2018, focusing on provincial capitals and other selected cities that we believe have high-growth potential.***

Our national land acquisition strategy aims to achieve greater regional diversification and higher growth by focusing on provincial capitals and other selected cities across China that we believe have high-growth potential.

- *Large-scale, Quality and Relatively Low-cost Land Reserves with Significant Appreciation Potential*

We had the largest land reserves among all PRC property developers listed in China and Hong Kong as of June 30, 2018, based on the land reserve data disclosed by relevant companies in their applicable stock exchange filing. As of December 31, 2015, 2016, 2017 and six months ended June 30, 2018, we had a total planned GFA of approximately 156.1 million sq.m., 229 million sq.m., 276 million sq.m. and 305 million sq.m., respectively, of quality and relatively low-cost land. The average cost of our land reserves as of June 30, 2018 was approximately RMB1,683 per square meter, as calculated by dividing our aggregate land purchase price by our aggregate planned GFA. In the first half of 2018, we acquired land reserves from the acquisition of 68 new projects, which were more focused towards first- and second-tier cities. These newly acquired projects and our expansion of existing projects amounted to a total GFA of 30.9 million sq.m. in the first half of 2018. We believe the size of our current land reserves can satisfy our development needs for the next five to eight years and our strategic site locations will provide significant appreciation and profitability potential.

- *Well Diversified and Balanced Land Reserves with Extensive Presence in Large Provincial Capitals and Other Selected Cities that We Believe Have High-growth Potential*

Our land reserves are well diversified in terms of both geographic location and project type to achieve maximum profit potential. Currently, we have developments in all the first-tier cities, including Beijing, Shanghai, Guangzhou and Shenzhen, and cover most of the provincial capitals and all municipalities in China. We have also expanded our operations into other selected third-tier cities that we believe have high growth potential on a national basis since the second half of 2010.

- *Premier Project Location*

Our urban projects are generally located in downtown or prime locations with a natural landscape and well-developed infrastructure and transportation systems. Our tourism related business mainly comprises of Evergrande Venice on the Sea Qidong Project (啟東恒大海上威尼斯項目) and the Hainan Ocean Flower Island Project (中國海南海花島項目). We focus on developing large-scale cultural tourism projects catering to tourists and vacation house owners, including but not limited to large-scale facilities targeting tourists and vacation house owners, such as man-made islands, beaches, Evergrande Fairyland Theme Park (恒大童世界), recreation and shopping facilities, large-scale hotels, as well as large conference centers which are able to accommodate thousands of people. These projects are also characterized by low land cost and can be developed over multiple phases, which helps provide economies of scale.

***We have leveraged our industry-leading brand name and strategic partnerships with renowned suppliers to develop quality products that are well-recognized by the market.***

- *We Have Been Recognized as One of the Top 10 Property Developers in China for 14 Consecutive Years*

We consistently market all of our new projects under the “Evergrande” brand to instill brand awareness nationwide and for customers to identify our brand name with high-quality residential projects. Since 2004, we have been ranked as one of the “Top 10 Property Developers in China” for 14 consecutive years by the “Top 10 Property Developers Research Group of China” jointly constituted by the Institute of Enterprise Research of the Development and Research Center of the State Council, the Real Estate Research Institute of Tsinghua University and the China Index Academy.

- *Partnership with Prominent Suppliers to Develop Quality Products*

We maintain strict quality control measures throughout our development chain and partner with renowned international and national service and product providers to deliver top-quality products. We initiate our project planning process immediately after we acquire a land site and initially focus primarily on the structural and landscape designs of the site to ensure that they are of the best fit to the overall project. Since 2004, we have been consolidating our selection of vendors and suppliers to ensure that we work with first-rate vendors in the fields of construction landscaping and interior decoration and source raw materials from top suppliers. By working with a small number of high-quality partners, we are able to receive superior services throughout the development process. In our current development projects, we primarily engage reputable construction companies in China, including China State Construction Engineering Corporation and Zhong-Tie Construction Group Corporation Limited, for a majority of our project construction work; reputable fitting-out companies in China, including Suzhou Gold Mantis Construction & Decoration Co., Ltd, and Shenzhen Grandland Decoration & Construction Co., Ltd. for our fitting-out and interior decoration work; and landscaping industry leaders including GVL International Landscaping Design Co., Ltd. for most of our landscaping work.

***We offer a comprehensive product mix that caters to different market segment demands.***

We believe that a comprehensive product mix, an in-depth knowledge of target markets and accurate product positioning are the keys to our rapid growth in China. We have a wide range of products that cater to different market segments. We generally target a product mix of 15% high-end products, and 85% mid- to mid-high-end products in terms of the number of projects. We believe this proportion allows us to meet the demands of a broad range of target clientele across different geographic regions. Our diversified product range consists of residential properties that cater to the needs of first-time homebuyers and wealthy property owners as well as non-residential properties, including hotels, resorts and commercial properties.

We place strong emphasis on market research which allows us to understand the underlying market trends and enables us to adjust our product design accordingly. We have developed various standardized product series with appropriate modifications to suit the needs of various markets and customer segments. We believe that our strong brand recognition as well as our strong adaptability in different regional markets will enable us to achieve sustainable growth and high quality coordinated development.

***We are able to effectively control our costs at every stage of the project development.***

- *Land Acquisition*

As an early mover, we are able to access cities and regions with relatively low-cost land and high-growth potential, develop quality and cost-efficient projects and achieve cost saving at an early stage of the process.

- *Design, Tender and Procurement*

We implement a standardized operational model for design and material procurement. We are able to limit construction costs through a centralized tender process and reduce material and equipment costs through economies of scale and centralized procurement.

- *Management*

We adopt well-planned and efficient management systems and measures over the entire process of project development to reduce management and operating expenses.

***We possess a highly experienced and stable management team with proven execution capabilities to adapt and respond to market changes.***

- *Highly Experienced Management Team in China*

We have a highly experienced management team composed of well-regarded experts in real estate development, planning and design, and finance and other fields. The team is led by our chairman, Dr. Hui, who is a professor and doctoral advisor in management with Wuhan University of Science and Technology. He is also a standing committee member of the 12th Chinese People's Political Consultative Conference and the vice chairman of the China Real Estate Association. Our chief executive officer, Dr. Xia Haijun, has cumulative experience of more than 20 years in real estate development and corporate management.

Our regional management teams are trained at our headquarters and most of them have been with our Company for more than 10 years. Over years, we have recruited our staff members from a candidate pool comprised of top students from top universities in China. As of June 30, 2018, approximately 90% of our management personnel had a bachelor's degree or higher. We believe our experienced and stable management team has contributed to our success and will further enhance our execution capabilities and focus both at the headquarters and regional company level.

- *Effective Management Structure*

We have created an effective management structure by implementing an internationally advanced management approach, which is complemented with practical experience accumulated over the years. We have adopted a three-tier management system comprising the board of directors, senior management at the headquarter level and senior management at the regional subsidiary level. This management structure ensures a direct reporting line between the regional offices and the headquarters, which enhances the overall internal control of our Company. We adopt a result-oriented management model that is focused on goal-setting and performance evaluation which allows the Company to achieve rapid and sustainable development.

We aim to motivate our staff effectively through our core values of quality, integrity, innovation and efficiency. Through our superior management structure and result-oriented compensation schemes, we are able to cultivate an effective corporate culture that commands strong loyalty from our team members, which in turn enhances our competitiveness, creativity and our execution capabilities.

- *Proven Execution Ability to Adapt and Respond to Changing Market Conditions*

Our management team has developed superior strategic insights and can respond quickly to changing market conditions. Since the inception of our Company, our senior management team has periodically reviewed and set, and each time successfully implemented, our strategic plans for each phase of our growth, by focusing on accumulating a talent pool for growth, building low-cost land reserves, emphasizing product quality and branding strategy and securing financing in a timely manner to support our expansion. Under the leadership of our management team, we have achieved a significant scale and a strong market position in a relatively short period of time. For example, when the PRC government began imposing significant restrictions on home purchases in 2010, our management team further optimized our standardized operational model for premier residential units to increase their marketability and attractiveness to prospective buyers, which we believe helped us to increase our property development revenues in spite of the restrictive regulatory environment.

***We have proven capability to develop projects and achieve asset turnover rapidly.***

Through our integrated centralized management structure and our standardized operational model, we have proven capability to develop our projects rapidly nationwide and achieve quick asset turnover. In most cases, we have been able to commence pre-sale of our recent property developments within six to nine months after site acquisition.

Our integrated centralized management structure helps ensure efficient execution of our standardized operational model; therefore we can typically complete the project planning and design, project construction, procurement of materials and equipment, as well as obtain relevant government approvals shortly after site acquisition.

Based on our standardized project planning and design, we are able to quickly determine and implement the positioning and design of projects. We have established long-term strategic partnerships with leading vendors and this enables rapid commencement of new projects as well as efficiency and quality of the development. We have adopted a standardized quality control and construction supervision system to monitor the progress and quality of all of our construction projects. In addition, as rapid property development has been one of our key business strategies since our inception, our standardized operational model, especially our standardized marketing procedures, has further improved our efficiency in project management. By shortening the development cycle in many of our projects, we aim to maximize our investment return, which in turn improves our operating cash flow. In most cases, we have been able to commence pre-sale of our recent property developments within six to nine months after site acquisition. As some of our most successful examples, we acquired Evergrande Evergreen Garden Wuhan on January 6, 2016, launched pre-sale of this project on June 18, 2016 and achieved total contracted sales, which have not been audited or reviewed by our auditors, of approximately RMB2.11 billion by the close of the commencement day of pre-sale; we acquired Evergrande Royal Scenic Bay Tianjin on January 29, 2016 launched pre-sale of this project on August 28, 2016 and achieved total contracted sales, which have not been audited or reviewed by our auditors, of approximately RMB1.57 billion by the close of the commencement day of pre-sale; and we acquired Evergrande Dragon Court Nanjing on January 15, 2016 launched pre-sale of this project on September 26, 2016 and achieved total contracted sales, which have not been audited or reviewed by our auditors, of approximately RMB1.33 billion by the close of the commencement day of pre-sale. Our rapid development business model results in a fast turnover of our land reserves.

## **Business Strategies**

We aim to continue to maintain our leadership position in the PRC real estate industry with a focus to capitalize on development opportunities in first- and second-tier cities and other selected cities that we believe have high-growth potential, notwithstanding the regulatory environment. We will

continue to implement our strategy of offering a diversified product range to our customers and to further optimize the standardized operational model of developing quality real estate products. We plan to implement the following strategies to achieve our goals:

***Continue to replenish our land reserves in first- and second-tier cities and selected third-tier cities in prime locations***

We will continue to focus on first- and second-tier cities where we currently have operations and further penetrate the market of other selected third-tier cities that we believe have high-growth potential. As of June 30, 2018, approximately 68% of our land investment is located in the first and second-tier cities with the rest located in other cities with high-growth potential, including having a large and fast growing population, a high regional economic growth rate and has high levels in resident consumption and savings. We believe those areas present business opportunities due to their sound economic growth rate, rising household disposable income, accelerating urbanization level and increasing demand for quality residential properties. In accordance with our national strategic plan, we will continue to optimize the location of our residential properties by focusing on the replenishment of land reserves closer to the city center in first- and second-tier cities and prime locations in third-tier cities to maintain stable land reserves and achieve a balanced national development distribution.

***Continue to optimize and leverage our standardized operational model***

We will adhere to our standardized operational model to optimize our entire product chain for quality real estate development with an aim to apply our operational experience to all of our projects nationwide and ensure the successful development and sale of each project.

***Maintain a comprehensive product offering with a primary focus on residential properties***

We will maintain our strategy of offering a diversified product range to our customers with a view to maintaining a target proportion of 15% and 85% in terms of the number of projects distributed among our high-end, and mid- to mid-high-end property developments, in order to attract the broadest consumer groups.

In addition, while we will continue to focus primarily on residential property developments, we aim to gradually expand and diversify our business mix to include more commercial properties to enhance our long-term financial performance and diversify risks.

***Adopt prudent and disciplined financial policies***

We have been implementing robust financial policies to grow total cash and net profit margins of our major businesses, including further enhancing the collection of sales proceeds, increasing the turnover of inventory assets, selling part of our investment properties and continuing to co-develop projects with other companies. As a result, we have maintained a high level of cash and cash equivalent over the years.

Moreover, we have also endeavored to manage our indebtedness and reduce our gearing ratio.

We will also continue to optimize commencement and completion plans and payment plans and control major capital expenditures for land and construction. In addition, we will continue to sell certain investment properties in our portfolio, adopt measures to improve the price of the residential properties and strive to reduce operating expenses. With respect to the control of costs and expenses, we will continue to fully implement product upgrades and replacement and standardized reform, ensuring quality while reducing production costs. We will also adopt various new types of media to lower selling expenses and make full use of information technology to lower operating expenses.

### ***Focus on product quality to enhance our brand***

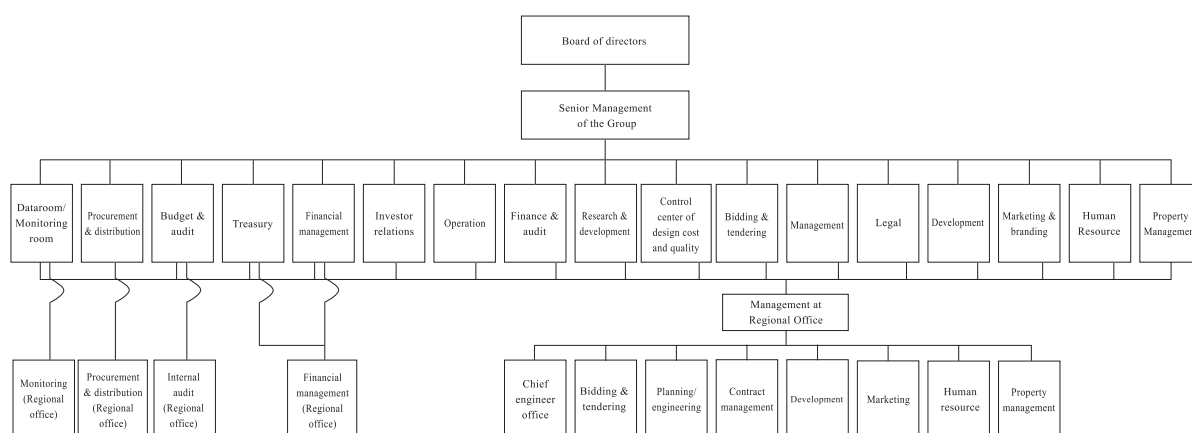
We will continue to focus on developing quality real estate products which we believe are integral to enhancing our brand value. We will continue to implement strict quality standards to maintain our competitive advantages over our peers.

### ***Continue our business diversification strategy***

We plan to continue to execute our business expansion plans through acquisitions or minority investments. Building upon the platforms we have established in tourism and culture, healthcare, new energy vehicle, high technology as well as banking and insurance industries, we intend to make further investments to capitalize on market demands and explore alternative revenue sources in such industries.

### **Our Standardized Operational Model**

In our standardized operational model, we develop new projects across China based on our years of proven experience in developing quality properties. By adopting the integrated standardized operational model, our headquarters standardizes the management of all regional offices, including the operating model, project selection, project planning and design, material selection, tendering and bidding, construction management and marketing, and directly cooperates with and supervises all regional offices to ensure our internal control measures are well implemented. The chart below sets forth our organizational structure established in accordance with our integrated standardized operational model:



### ***Site Selection***

Site selection is typically conducted via a three-stage standard process. First, the development department of our headquarters and our regional offices are responsible for identifying a potential project, collecting information and performing primary screening. Should a potential project pass the primary screening, the development department, marketing department, research and development, or R&D, department and regional offices will be summoned together to conduct an in-depth analysis based on the collective experience of the parties involved and data extracted from our database. The summarized detailed analysis after multiple rounds of screening will then be submitted to our board of directors for review, discussion and final approval. We believe the above measures ensure that the new projects are in line with our overall development strategy and therefore minimize the development risk in the future.



### ***Project Planning and Design***

After acquiring the site for a new project, the R&D department, marketing department, regional office and sales agencies will each provide independent market research reports. The Board will arrange meetings with these departments to finalize product positioning and project planning, after which the R&D department will work with the relevant regional office to finalize the project planning and design plan based on the project positioning. This approach will ensure accurate market positioning, planning and design of each project.

### ***Centralized Tender***

We organize tenders and invite primarily first-rate construction companies in China to participate in the bidding for interior decoration, gardening and landscaping and other construction work to ensure high-quality construction work performed at competitive prices. We have centralized and standardized our tender process in order to facilitate our standard operating procedures to build quality products rapidly. Our legal department and internal audit department supervise the entire tender process and carefully evaluate and compare each submitted bid. This effectively ensures our quality and progress of construction, which in turn minimizes our construction costs.

### ***Centralized Procurement***

Subject to our centralized tender process, we sign long-term procurement agreements with reputable service and product suppliers in China and overseas. We have also established a unified national distribution system. This procurement and distribution system enables us to successfully minimize our overall purchasing costs while ensuring the best product quality.

### ***Project Construction***

We strictly adhere to a set of standardized plan management, progress evaluation and quality supervision process that covers all the key project development and management activities conducted by our regional offices. Our headquarters have a dedicated team of professional staff who collect information about the project progress and construction quality from each regional office through an advanced information management system. This strengthens our headquarters' control over project construction progress and quality, which in turn ensures that each property meets our requirements.

### ***Sales and Marketing***

Our sales and marketing effort follows standardized procedures so that the marketing, promotion, pricing and advertising strategies for each of our projects are created in a highly coordinated and consistent manner. These strategies are implemented for each project after being reviewed and approved by our board.

### ***Human Resources Management***

Our headquarters appoints and removes our regional office management teams. Our employee recruitment criteria, staffing and compensation structure are standardized and formulated by our headquarters, ensuring that the team composition and staff quality meet our standards.

### ***Financial Management and Reporting Requirements***

We have implemented a uniform financial management and reporting system, under which the finance department of each regional office is directly managed by our headquarters. This system allows us to standardize, consolidate and centralize our capital management nationwide. Our centralized internal risk management also covers our archives management and accounts approval process in all our regional offices.

For more details on our project development and management procedures, see “— Project Development and Management Procedures.”

## Our Property Projects

Our property projects are generally divided into the following three categories:

- completed properties, comprising property projects we have completed since our inception, with the certificates of completion issued by the relevant government authorities;
- properties under development, comprising property projects with respect to which we have received land use rights certificates and partly received construction permits or governmental approval for early construction but have not yet received certificates of completion; and
- properties held for future development, comprising property projects with respect to which we have signed a land grant contract or a land transaction confirmation letter with the relevant PRC land administrative authorities, the project company equity transfer agreements or project cooperation agreements but have not yet obtained the land use right certificates.

Because our projects are typically relatively large in size and some of our projects comprise multi-phase developments on a rolling basis, a single project may include different phases at various stages of completion, under development or held for future development.

Each property project may be subject to multiple land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and other permits and certificates which are issued at different stages throughout their development. Our classification of properties is not directly comparable with the classification of properties in our consolidated financial information and our consolidated financial statements included elsewhere in this offering memorandum.

The table below sets forth our classification of properties and the corresponding classification of properties in our consolidated financial information and our consolidated financial statements included elsewhere in this offering memorandum:

<u>This offering memorandum</u>	<u>Consolidated financial information</u>
<ul style="list-style-type: none"> <li>● Completed properties, comprising properties with certificates of completion (including completed properties that have been sold)</li> </ul>	<ul style="list-style-type: none"> <li>● Completed properties held for sale (excluding completed properties that have been sold)</li> </ul>
<ul style="list-style-type: none"> <li>● Property under development, comprising properties for which we have obtained land use rights certificates and partly received construction permits or approval letters for early construction, but not yet received certificates of completion</li> </ul>	<ul style="list-style-type: none"> <li>● Land use rights (attributable to completed properties held for sale)</li> <li>● Investment properties</li> <li>● Properties under development</li> </ul>
<ul style="list-style-type: none"> <li>● Property held for future development, comprising properties for which we have not obtained land use rights certificates, but have entered into the land grant contracts or the project company equity transfer agreements, or cooperation agreements</li> </ul>	<ul style="list-style-type: none"> <li>● Land use rights (attributable to properties under development)</li> <li>● Expenditures incurred for projects for which we have not yet obtained land use rights certificates were recorded as prepayments, deposits and other receivables within our current assets</li> </ul>

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

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

When completed properties and properties under development are subject to a single land use rights certificate, we calculate the site area attributable to such completed properties and such properties under development in proportion to their respective total GFA as a percentage of the aggregate total GFA under the land use rights certificate.

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

- when the construction of a project is completed and we have received the certificate of completion, the total GFA information in respect of the project refers to the total GFA in such certificate of completion;
- if we have not yet obtained the certificate of completion, but have obtained the construction works planning permit for the project, the total GFA information in respect of the project refers to the total GFA in such construction works planning permit;
- if we have not yet obtained the construction works planning permit, but have obtained the construction land planning outline for the project, the total GFA information in respect of the project refers to the total GFA in such construction land planning outline;
- if we have not yet obtained the construction land planning outline, but have received the government-approved design plan for the project, the total GFA information in respect of the project refers to the total GFA in such government-approved design plan; and
- if we have not obtained any of the above documents for the project, the total GFA information in respect of the project refers to the total GFA based on our current development plan for the project.

Total GFA stated in certificates of completion, pre-sale certificates, construction works planning permits, construction land planning outline and government-approved design plans includes underground GFA. Underground GFA refers to basement and other underground spaces, generally used for parking and storage purposes.

The total GFA information in this offering memorandum includes both saleable and non-saleable GFA. Saleable GFA generally includes residential properties, saleable carparks, retail shops and office space (including internal floor area and shared areas in the building that are exclusively allocated to such properties). Non-saleable GFA generally includes communal facilities, such as schools, floor area for property management purposes as required by the government, project related supplemental facilities and our own properties such as hotels and non-saleable carparks.

***Saleable GFA Calculation.*** The saleable GFA information in this offering memorandum is derived on the following basis:

- if we have obtained property ownership certificate for a project, the saleable GFA information refers to the saleable GFA in the property ownership certificate;
- if we have not yet obtained the property ownership certificate, but have received the pre-sale permit for the project, the saleable GFA information refers to the saleable GFA in the pre-sale permit;
- if we have not yet obtained the pre-sale permit but have received the construction works planning permit for the project, the saleable GFA information in respect of the project refers to the saleable GFA estimated in such construction works planning permit;
- if we have not yet obtained the construction works planning permit, but have received the construction land planning outline for the project, the saleable GFA information in respect of the project refers to the saleable GFA estimated in such construction land planning outline;
- if we have not yet obtained the construction land planning outline, but have received the government-approved design plan for the project, the saleable GFA information in respect of the project is estimated based on such government-approved design plan; and
- if we have not yet obtained any of the above documents for the project, the saleable GFA information in respect of the project is estimated based on our current development plan for the project.

GFA sold information refers to the GFA sold or pre-sold as specified in the relevant sale and purchase agreements on an aggregate basis. GFA sold information in this offering memorandum does not include GFA of parking spaces. Unless the pre-sale of a project has started, we have provided estimated pre-sale commencement time for such on-going project in this offering memorandum. Unless a project has already been completed, we have likewise provided estimated completion time for such on-going project in this offering memorandum.

## Project Overview

Geographical distribution of our property projects as of June 30, 2018 was as follows:

Project	Total planned GFA		Properties under development and held for future development	
	Total GFA	% of total GFA	Total GFA	% of total GFA
Guangdong Province	50,405,529	10.2%	32,525,472	10.7%
Shandong Province	44,691,492	9.1%	31,141,506	10.2%
Sichuan Province	33,499,446	6.8%	22,288,862	7.3%
Jiangsu Province	27,999,278	5.7%	19,001,587	6.2%
Henan Province	32,063,616	6.5%	17,654,038	5.8%
Hunan Province	26,105,454	5.3%	15,845,274	5.2%
Hebei Province	20,740,358	4.2%	15,206,686	5.0%
Liaoning Province	23,935,014	4.9%	15,304,677	5.0%
Guizhou Province	17,789,467	3.6%	13,329,258	4.4%
Hainan Province	19,589,594	4.0%	13,293,810	4.4%
Hubei Province	21,048,523	4.3%	12,306,005	4.0%
Chongqing City	18,814,357	3.8%	11,219,509	3.7%
Zhejiang Province	14,356,679	2.9%	11,189,557	3.7%
Beijing City	9,070,575	1.8%	8,111,045	2.7%
Guangxi Zhuang Autonomous Region	14,634,274	3.0%	7,353,877	2.4%
Shanghai City	11,016,745	2.2%	7,392,389	2.4%
Jiangxi Province	15,529,309	3.2%	7,130,608	2.3%
Anhui Province	18,405,675	3.7%	6,643,584	2.2%
Shaanxi Province	8,869,135	1.8%	5,706,248	1.9%
Shanxi Province	12,944,023	2.6%	5,598,639	1.8%
Fujian Province	7,157,271	1.5%	4,291,170	1.4%
Heilongjiang Province	8,707,213	1.8%	3,847,412	1.3%
Jilin Province	7,351,534	1.5%	3,273,856	1.1%
Xinjiang Uygur Autonomous Region	4,404,874	0.9%	3,118,047	1.0%
Gansu Province	4,813,687	1.0%	2,732,421	0.9%
Inner Mongolia Autonomous Region	5,183,348	1.1%	2,671,289	0.9%
Tianjin City	5,986,365	1.2%	2,894,091	0.9%
Yunnan Province	5,719,477	1.2%	2,855,408	0.9%
Ningxia Hui Autonomous Region	1,493,907	0.3%	823,235	0.3%
Tibet Autonomous Region	71,266	0.0%	71,266	0.0%
Qinghai Province	439,772	0.1%	68,175	0.0%
<b>Total</b>	<b>492,837,255</b>	<b>100%</b>	<b>304,889,001</b>	<b>100%</b>

As of June 30, 2018, we had completed the development of a total GFA of 187.9 million sq.m. since our inception. As of June 30, 2018, we held an aggregate 8.43 million sq.m. of total GFA of commercial space and about 408,000 car parking spaces as investment properties.

As of June 30, 2018, we had properties under development or held for future development with a total GFA of 305.0 million sq.m..

During the six months ended June 30, 2018, we had completed properties with a total GFA of approximately 38.2 million sq.m. as compared to approximately 28.0 million sq.m. during the same period of 2017.

We had projects under construction with a total GFA of approximately 125 million sq.m. during the six months ended June 30, 2018 as compared to approximately 93.6 million sq.m. during the six months ended June 30, 2017.

The table below sets forth our project-by-project information of all of completed properties, properties under development and properties held for future development as of June 30, 2018:

No.	Project	Location	Site area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	GFA (m <sup>2</sup> )		Attributable equity interest (%)
					Completed properties (m <sup>2</sup> )	Properties under development and held for future development (m <sup>2</sup> )	
1	Evergrande Palace Beijing	Beijing	80,469	360,609	62,380.3	298,229	100.0%
2	Evergrande Metropolis Beijing	Beijing	35,000	183,920	27,450	156,470	100.0%
3	Evergrande Emerald Court Beijing	Beijing	46,011	262,542	58,737	203,805	100.0%
4	Evergrande Left Riverbank Beijing	Beijing	66,677	317,566	—	317,566	100.0%
5	Evergrande Palace Beijing	Beijing	529,175	234,196	82,259.34	34,201	100.0%
6	Evergrande International Hotspring Tourist City	Baoding	3,427,962	4,357,349	—	—	100.0%
7	Evergrande Royal Scenic Peninsula Beijing	Baoding	285,778	385,531	47,727.51	302,898	65.0%
8	Evergrande Culture Tourist City Beijing	Zhangjiakou	949,692	2,241,402	680,976.12	495,713	100.0%
9	Evergrande the Great Wall Village Chengde	Chengde	707,597	727,460	—	64,051	100.0%
10	Evergrande Palace Shanghai	Shanghai	31,307	143,466	—	143,466	100.0%
11	Evergrande Royal Scenic Bay Shanghai	Shanghai	50,964	180,828	110,666.74	70,161	100.0%
12	Evergrande Capital Palace Sheshan Shanghai	Shanghai	40,129	99,690	84,452.04	15,238	100.0%
13	Evergrande Royal View Garden Shanghai	Shanghai	69,936	152,337	116,136.44	36,200	100.0%
14	Evergrande Metropolis Shanghai	Shanghai	30,893	95,706	53,774.87	41,931	100.0%
15	Evergrande Royal Seaview Garden Qingpu	Shanghai	751,806	375,903	245,949.15	24,253	90.0%
16	Evergrande Bay Palace Shanghai	Shanghai	20,507	35,094	—	35,094	100.0%
17	Hengda Haishang Venice	Nantong	4,688,245	7,831,729	3,013,377.06	2,865,021	100.0%
18	Evergrande Wonderland Taicang	Suzhou	1,169,043	2,101,992	—	455,454	100.0%
19	The Third Jinbi Garden Guangzhou	Guangzhou	145,978	460,323	380,777.5273	27,115	100.0%
20	Evergrande Royal Palace Guangzhou	Guangzhou	44,275	227,392	76,250.695	151,141	100.0%
21	Evergrande Scenic Garden Zengcheng	Guangzhou	99,014	337,800	162,695	175,105	100.0%
22	Evergrande Royal Scenic Peninsula Foshan	Foshan	543,529	1,116,589	1,076,498.57	40,091	100.0%
23	Evergrande Royal Scenic Bay Foshan	Foshan	60,491	288,586	277,529	11,057	100.0%
24	Evergrande Metropolis Foshan	Foshan	171,869	871,200	635,231.41	235,968	100.0%
25	Evergrande Top Mansion Foshan	Foshan	108,898	519,029	209,919	309,110	100.0%
26	Evergrande Splendor Qingyuan	Qingyuan	2,703,665	3,954,864	1,086,224.32	757,424	100.0%
27	Evergrande Silverlake City Qingyuan	Qingyuan	955,580	1,911,160	1,053,125.66	822,995	100.0%
28	Evergrande Royal Creek Valley Qingyuan	Qingyuan	314,671	188,050	—	—	100.0%
29	Caiwuwei Project Shenzhen	Shenzhen	3,677	33,682	—	—	5.0%
30	Evergrande Gentleman Hill Shenzhen	Shenzhen	46,747	297,363	276,668.52	20,695	98.0%
31	Huaqiangbei Project Shenzhen	Shenzhen	10,423	86,530	—	—	51.1%
32	Evergrande Sky Tower Shenzhen	Shenzhen	10,448	151,025	—	151,025	51.0%
33	Evergrande City Shenzhen	Shenzhen	52,884	300,063	—	—	65.0%
34	Evergrande Fashion Withub Shenzhen	Shenzhen	85,748	498,645	—	498,645	100.0%
35	Evergrande City Lights Shenzhen	Shenzhen	42,329	275,892	71,537	204,355	100.0%
36	Evergrande Metropolis Square Shenzhen	Shenzhen	34,638	338,081	—	277,900	100.0%
37	Evergrande Royal Scenic Peninsula Dongguan	Dongguan	149,793	388,948	320,624.56	68,324	100.0%
38	Evergrande Oasis Dongguan	Dongguan	69,955	252,557	250,500.57	2,057	100.0%
39	Evergrande Xiaogui Bay Shenzhen	Huizhou	158,347	395,867	—	—	100.0%
40	Evergrande Palm Islands Huiyang	Huizhou	376,690	598,100	290,320	64,783	100.0%
41	Evergrande Yi Shan Hai Wan Huizhou	Huizhou	51,588	203,674	64,300	139,374	100.0%
42	Evergrande Emerald Court Huizhou	Huizhou	108,452	325,356	—	—	51.0%
43	Evergrande Yue Long Mansion Huizhou	Huizhou	93,833	374,528	—	374,528	100.0%
44	Evergrande Shuangyuewan Huizhou	Huizhou	35,957	113,018	—	—	100.0%
45	Evergrande Yu Long Bay Huizhou	Huizhou	254,386	439,564	—	—	35.7%
46	Evergrande Lake of General Huizhou	Huizhou	141,558	403,440	—	—	100.0%
47	Evergrande Royal Lake County Huizhou	Huizhou	52,000	127,912	—	—	100.0%
48	Evergrande Royal Palace Huizhou	Huizhou	74,806	261,821	—	—	100.0%
49	Evergrande Palace Huizhou	Huizhou	51,020	132,652	—	—	100.0%
50	Evergrande Emerald Court Huizhou	Huizhou	30,000	84,000	—	—	100.0%
51	Evergrande City Wuhan	Wuhan	396,879	997,165	793,209.91	203,955	100.0%
52	Evergrande Metropolis Wuhan	Wuhan	351,306	878,797	780,356.35	98,441	100.0%
53	Evergrande Royal Scenic Bay Wuhan	Wuhan	69,023	398,096	319,416	78,680	60.0%
54	Evergrande Royal Palace Wuhan	Wuhan	75,300	313,151	229,329	83,822	51.0%
55	Evergrande Capital Palace Wuhan	Wuhan	107,785	466,029	363,500	46,500	67.1%
56	Evergrande Rainbow Town Wuhan	Wuhan	464,900	779,177	509,570.24	224,594	67.1%



No.	Project	Location	Site area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	GFA (m <sup>2</sup> )		Attributable equity interest (%)
					Completed properties (m <sup>2</sup> )	Properties under development and held for future development (m <sup>2</sup> )	
57	Evergrande Dragon City Wuhan	Wuhan	506,667	981,393	451,829.89	344,070	67.1%
58	Evergrande Evergreen Garden Wuhan	Wuhan	373,909	1,300,000	200,272.78	431,102	60.0%
59	Evergrande Emerald Court Wuhan	Wuhan	101,844	330,241	118,050	212,191	100.0%
60	Evergrande Splendor Ezhou	Ezhou	1,742,809	2,010,674	1,184,005.75	290,981	100.0%
61	Evergrande Tourism Tech City Wuhan	Wuhan	3,377,204	2,100,069	—	353,090	100.0%
62	Evergrande City Changsha	Changsha	253,458	580,369	551,012.87	29,356	100.0%
63	Evergrande Oasis Changsha	Changsha	290,414	796,488	525,280.29	102,178	100.0%
64	Evergrande Atrium Changsha	Changsha	515,227	1,468,414	1,014,413.79	310,170	99.3%
65	Evergrande Bay Changsha	Changsha	178,644	522,273	291,743.91	199,750	100.0%
66	Evergrande Royal Scenic Peninsula Changsha	Changsha	215,001	852,409	329,841.09	205,342	51.0%
67	Evergrande Emerald Court Changsha	Changsha	135,514	593,495	431,626.92	161,776	100.0%
68	Evergrande Royal Scenic Bay Changsha	Changsha	49,696	253,587	197,771.5	51,340	100.0%
69	Evergrande Royal View Splendor Changsha	Changsha	301,293	542,328	26,8602.32	225,762	51.0%
70	Evergrande Financial Plaza Changsha	Changsha	49,397	348,434	148,623.33	—	60.0%
71	Changsha Huangxing Road North Project	Changsha	56,622	153,988	—	—	51.0%
72	Evergrande Forest Creek County Changsha	Changsha	354,173	993,265	24,138.54	92,261	首期：73% 拓地：90%
73	Evergrande Palace Liuyang	Changsha	282,639	756,022	539,549.45	169,815	100.0%
74	Evergrande Jade Palace Changsha	Changsha	16,594	166,765	—	—	90.0%
75	Evergrande Shanglin Garden Changsha	Changsha	24,949	128,851	—	128,851	100.0%
76	Evergrande Palace of Glory Changsha	Changsha	39,328	178,029	—	—	90.0%
77	Evergrande Royal View Splendor Ningxiang	Changsha	531,333	1,593,998	—	—	100.0%
78	Evergrande Fairy Tale World Changsha	Changsha	1,375,727	2,255,173	—	1,604,702	100%
79	Evergrande Splendor Nanjing	Nanjing	982,714	1,168,704	997,690.27	75,742	100.0%
80	Evergrande Palace Nanjing	Nanjing	51,072	211,520	103,266.14	108,254	100.0%
81	Evergrande Emerald Court Nanjing	Nanjing	78,727	332,427	173,222.7	159,204	100.0%
82	Evergrande Riverside Nanjing	Nanjing	64,020	454,726	111,826.8	188,446	52.0%
83	Evergrande Dragon Garden Nanjing	Nanjing	72,434	174,846	21,570	151,228	100.0%
84	Evergrande Xhe Sanh Residence Nanjing	Nanjing	49,200	114,684	—	114,684	100.0%
85	Evergrande Forest Creek County Nanjing	Nanjing	38,422	88,470	—	88,085	100.0%
86	Evergrande Riverside Mansion Nanjing	Nanjing	49,468	185,823	169,923	—	40.8%
87	Evergrande Wonderland Jurong	Nanjing	1,406,508	2,321,298	—	59,298	100.0%
88	Evergrande Oasis Chengdu	Chengdu	142,145	676,155	475,270.22	—	100.0%
89	Evergrande Scenic Garden Chengdu	Chengdu	619,926	176,227	132,447.51	13,850	100.0%
90	Evergrande Royal Scenic Peninsula Chengdu	Chengdu	926,437	2,974,060	1,297,325.99	539,501	100.0%
91	Evergrande Royal View Garden Chengdu	Chengdu	62,639	403,639	245,731.19	157,908	100.0%
92	Evergrande New City Chengdu	Chengdu	118,936	656,881	452,986.92	203,894	100.0%
93	Evergrande Caojiaxiang Plaza Chengdu	Chengdu	113,382	993,879	497,305.6	496,573	80.6%
94	Evergrande Central Square Chengdu	Chengdu	77,992	633,100	194,912.87	272,941	首期62.96%； 二期100%
95	Evergrande Metropolis Court Chengdu	Chengdu	18,061	196,462	186,362.33	10,100	100.0%
96	Evergrande Plaza Chengdu	Chengdu	15,398	431,723	280,842.26	150,881	100.0%
97	Evergrande Royal Peninsula Chengdu	Chengdu	950,072	2,567,393	626,838.92	1,142,199	100.0%
98	Evergrande Metropolis Chengdu	Chengdu	65,195	341,581	175,823.34	165,758	100.0%
99	Evergrande Central Plaza Chengdu	Chengdu	281,913	1,112,597	523,715.25	324,317	100.0%
100	Evergrande Jincheng Chengdu	Chengdu	83,848	329,000	164,481	164,519	100.0%
101	Evergrande Cloud Court Chengdu	Chengdu	104,193	364,676	—	295,935	100.0%
102	Evergrande Wangjiang Palace Chengdu	Chengdu	34,492	190,700	126,476.27	64,224	100.0%
103	Evergrande Shanglinyuan Atrium Chengdu	Chengdu	193,148	336,567	232,230.48	104,337	51.0%
104	Evergrande Future City Chengdu	Chengdu	220,088	774,984	357,344.819	212,773	51.0%
105	Evergrande The Coronation Chengdu	Chengdu	505,468	2,122,966	311,707.95	354,818	100.0%
106	Evergrande Royal Palace Chengdu	Chengdu	83,894	322,968	196,831.12	126,136	100.0%
107	Evergrande Royal Scenic Chengdu	Chengdu	182,228	632,448	8,979.6926	350,219	首期90.24%； 二期55.56%
108	Evergrande Emerald Court Qionglai	Chengdu	33,354	163,269	85,091.57	77,588	100.0%
109	Evergrande Jade Pavilion Chengdu	Chengdu	63,200	165,686	99,740.74	65,946	91.0%
110	Evergrande Forest Creek County Chengdu	Chengdu	192,288	529,272	—	—	80.0%
111	Evergrande Xichen Oasis Chengdu	Chengdu	252,178	721,485	—	555,168	51%/51%
112	Evergrande Left Riverside Chengdu	Chengdu	77,171	223,116	—	—	100.0%

No.	Project	Location	Site area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	GFA (m <sup>2</sup> )		Attributable equity interest (%)
					Completed properties (m <sup>2</sup> )	Properties under development and held for future development (m <sup>2</sup> )	
113	Evergrande Splendor Pengshan	Meishan	2,440,685	3,373,822	1,949,383.83	287,920	100.0%
114	Evergrande Pasture Peak Chengdu	Chengdu	410,295	808,506	—	—	51.0%
115	Evergrande Splendo Emei	Leshan	1,410,175	1,687,204	—	237,400	100.0%
116	Evergrande Fairyland Meishan	Meishan	793,362	1,472,209	—	—	100.0%
117	Evergrande Cloud Court Dujiangyan	Chengdu	84,162	168,325	—	—	100.0%
118	Evergrande Royal View Garden Hangzhou	Hangzhou	98,328	348,848	243,627.36	105,220	100.0%
119	Evergrande Crystal International Plaza Hangzhou	Hangzhou	174,165	674,836	85,867.01	588,829	100.0%
120	Evergrande Yue Long Mansion Hangzhou	Hangzhou	47,652	184,634	—	—	55.1%
121	Evergrande Forest Creek County Jiande	Hangzhou	199,843	280,789	—	162,929	100.0%
122	Evergrande Royal Scenic Xi'an	Xi'an	130,295	509,387	422,656.48	86,731	100.0%
123	Evergrande Royal View Garden Xi'an	Xi'an	109,092	511,806	373,829.98	137,976	100.0%
124	Evergrande Bay Xi'an	Xi'an	144,247	374,222	320,375.12	53,847	100.0%
125	Evergrande Emerald Court Xi'an	Xi'an	30,750	231,440	198,491.61	32,948	100.0%
126	Evergrande Royal Dragon Bay Xi'an	Xi'an	158,644	356,881	118,491	238,388	90.0%
127	Evergrande Emerald Dragon Court Xi'an	Xi'an	62,204	334,544	259,747	74,797	100.0%
128	Evergrande City Plaza Xi'an	Xi'an	106,233	491,063	281,953	209,110	100.0%
129	Evergrande International City Xi'an	Xi'an	154,096	356,374	153,988.59	167,940	100.0%
130	Evergrande Atrium Gaoling	Xi'an	160,016	640,298	—	524,086	100.0%
131	Evergrande Yue Long Mansion Xi'an	Xi'an	53,100	185,835	—	—	70.0%
132	Evergrande Fairyland Xian	Xianyang	430,838	900,068	—	—	100.0%
133	Evergrande Metropolis Jinan	Jinan	134,118	445,326	417,789.95	27,536	100.0%
134	Evergrande Oasis Jinan	Jinan	678,556	2,120,651	1,491,061.26	528,570	100.0%
135	Evergrande City Jinan	Jinan	391,391	1,397,826	1,048,687.78	257,426	100.0%
136	Evergrande Atrium Jinan	Jinan	202,511	859,724	710,332.05	77,650	60.0%
137	Evergrande Royal View Garden Jinan	Jinan	116,421	477,534	402,177.91	75,356	100.0%
138	Evergrande Emerald Court Jinan	Jinan	234,112	841,568	554,653.78	163,668	100.0%
139	Evergrande Longao Regency Jinan	Jinan	199,751	383,339	261,281.66	121,804	100.0%
140	Evergrande Longao East New Metropolis Jinan	Jinan	50,066	210,725	144,004.3	66,720	100.0%
141	Evergrande City Jinan	Jinan	83,180	311,410	216,503.59	75,602	100.0%
142	Evergrande Left Bank Riverfront Jinan	Jinan	334,602	1,284,901	521,728.43	88,079	100.0%
143	Evergrande Century Plaza Jinan	Jinan	90,032	325,170	299,747.4	25,423	100.0%
144	Evergrande Palace Jinan	Jinan	111,305	396,996	344,902	52,094	100.0%
145	Evergrande Jinbi New Town Jinan	Jinan	208,297	637,586	522,423.98	80,095	100.0%
146	Evergrande Royal Summit Jinan	Jinan	89,583	334,853	238,392.22	96,461	100.0%
147	Evergrande Fortune Center Jinan	Jinan	50,195	281,344	154,438.51	126,906	100.0%
148	Evergrande Oasis Taiyuan	Taiyuan	691,649	1,638,087	1,521,204.24	32,388	100.0%
149	Evergrande Metropolis Taiyuan	Taiyuan	121,182	473,339	428,659.8	44,679	100.0%
150	Evergrande Scenic Garden Taiyuan	Taiyuan	341,882	809,614	527,551.91	180,515	100.0%
151	Evergrande Palace Taiyuan	Taiyuan	177,364	595,701	555,743.61	2,318	65.6%
152	Evergrande Royal Scenic Bay Taiyuan	Taiyuan	334,651	1,171,277	511,134.35	509,458	100.0%
153	Evergrande Emerald Court Taiyuan	Taiyuan	36,505	193,787	155,942.41	37,845	70.0%
154	Evergrande Left Bank Riverfront Taiyuan	Taiyuan	115,006	693,479	470,542.67	120,911	100.0%
155	Evergrande Atrium Taiyuan	Taiyuan	62,842	316,875	300,223.69	16,651	100.0%
156	Evergrande Future City Taiyuan	Taiyuan	61,289	301,348	169,398.73	69,175	100.0%
157	Evergrande City Taiyuan	Taiyuan	54,897	431,601	171,099.81	259,173	82.0%
158	Evergrande Bay Taiyuan	Taiyuan	54,987	281,195	171,641.35	87,779	80.0%
159	Evergrande Forest County Taiyuan	Taiyuan	81,500	260,524	—	260,524	100.0%
160	Evergrande Royal Palace Taiyuan	Taiyuan	31,953	153,877	—	153,877	100.0%
161	Evergrande Tian Chen Taiyuan	Taiyuan	175,323	499,700	—	—	100.0%
162	Evergrande City Hefei	Hefei	265,314	806,469	760,265.974	46,203	100.0%
163	Evergrande Royal View Garden Hefei	Hefei	280,920	1,059,422	871,312.48	120,899	100.0%
164	Evergrande International Center Hefei	Hefei	134,564	987,493	394,551.12	129,072	100.0%
165	Evergrande Plaza Hefei	Hefei	241,508	1,059,475	575,605.95	459,575	100.0%
166	Evergrande Crystal International Plaza Hefei	Hefei	89,158	392,980	70,765	322,215	50.4%
167	Evergrande Yue Long Mansion Hefei	Hefei	129,473	354,275	91,196.71	255,472	100.0%
168	Evergrande Royal View Garden Chaohu	Hefei	77,946	257,679	194,771.3	62,908	100.0%
169	Evergrande Oasis Feidong	Hefei	90,220	253,108	187,935	63,499	65.0%
170	Evergrande City Nanchang	Nanchang	759,473	1,668,708	1,185,470.59	469,238	100.0%
171	Evergrande Oasis Nanchang	Nanchang	1,577,388	1,063,137	1,034,474.953	28,662	100.0%

No.	Project	Location	Site area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	GFA (m <sup>2</sup> )		Attributable equity interest (%)
					Completed properties (m <sup>2</sup> )	Properties under development and held for future development (m <sup>2</sup> )	
172	Evergrande Metropolis Nanchang	Nanchang	192,891	528,342	415,695.31	112,647	100.0%
173	Evergrande Royal View Garden Nanchang	Nanchang	88,492	228,692	201,847.48	26,845	100.0%
174	Evergrande Emerald Court Nanchang	Nanchang	105,280	277,824	160,207	117,617	95.0%
175	Evergrande Palace Nanchang	Nanchang	61,456	238,971	116,460.64	119,606	100.0%
176	Evergrande Emerald Imperial Court Nanchang	Nanchang	59,000	189,743	77,897	111,846	100.0%
177	Evergrande Emerald Garden Nanchang	Nanchang	46,000	148,044	—	148,044	100.0%
178	Evergrande Creek Mansion Nanchang	Nanchang	267,000	534,213	103,742.27	236,554	100.0%
179	Evergrande Grande Palace Nanchang	Nanchang	57,679	185,702	69,312	116,390	100.0%
180	Evergrande Light of Times Nanchang	Nanchang	85,644	297,010	98,609.16	198,401	60.0%
181	Evergrande Yue Long Mansion Nanchang	Nanchang	225,000	660,214	—	—	60.0%
182	Evergrande Jiangxiang Project Nanchang	Nanchang	104,453	223,140	—	—	50.0%
183	Evergrande Scenic Garden Fuzhou	Fuzhou	133,333	198,849	118,816.47	80,032	100.0%
184	Evergrande City Fuqing	Fuzhou	126,506	336,260	195,328.57	105,647	100.0%
185	Evergrande Oasis Harbin	Haerbin	243,306	719,988	541,380.99	63,853	100.0%
186	Evergrande Metropolis Harbin	Haerbin	190,351	554,012	506,347.79	39,174	100.0%
187	Evergrande City Harbin	Haerbin	271,956	693,971	443,073.1	170,209	100.0%
188	Evergrande Royal View Garden Harbin	Haerbin	99,758	272,030	223,684.56	48,345	100.0%
189	Evergrande Royal Scenic Bay Harbin	Haerbin	166,705	628,131	528,210.65	32,512	100.0%
190	Evergrande Emerald Court Harbin	Haerbin	47,300	129,231	108,643.27	20,588	100.0%
191	Evergrande Royal Garden Harbin	Haerbin	158,309	567,117	259,155.91	288,166	100.0%
192	Evergrande Atrium Harbin	Haerbin	71,070	313,019	291,667.96	21,351	一期95% 二期100%
193	Evergrande International Center Harbin	Haerbin	47,420	156,486	108,511.25	21,790	100.0%
194	Evergrande Jinyuan Harbin	Haerbin	227,468	326,124	158,765.95	118,979	100.0%
195	Evergrande Clover County Harbin	Haerbin	90,703	347,078	195,817.88	150,934	100.0%
196	Evergrande Royal Summit Harbin	Haerbin	20,185	96,665	66,636.3	30,029	100.0%
197	Evergrande Royal Palace Harbin	Haerbin	48,707	183,838	124,912.87	58,925	100.0%
198	Evergrande Central Plaza Harbin	Haerbin	226,116	683,300	257,533.72	309,354	100.0%
199	Evergrande Times Square Harbin	Haerbin	430,808	1,168,910	—	400,015	100.0%
200	Evergrande Jincheng Harbin	Haerbin	29,969	161,291	—	161,291	100.0%
201	Evergrande Oasis Changchun	Changchun	197,940	620,815	568,544.1833	49,546	100.0%
202	Evergrande City Changchun	Changchun	215,377	571,345	479,461.22	91,883	100.0%
203	Evergrande International Center Changchun	Changchun	26,239	305,641	—	—	100.0%
204	Evergrande Royal Scenic Changchun	Changchun	170,324	509,909	506,025.05	3,884	100.0%
205	Evergrande Metropolis Changchun	Changchun	288,620	721,550	410,638.29	238,020	100.0%
206	Evergrande City Plaza Changchun	Changchun	124,968	451,901	266,799.47	40,379	100.0%
207	Evergrande Royal Summit Changchun	Changchun	113,908	303,666	220,486.46	83,179	100.0%
208	Evergrande Atrium Changchun	Changchun	125,076	358,703	310,017.97	48,170	100.0%
209	Evergrande Royal View Garden Changchun	Changchun	199,970	399,940	228,720.96	139,864	100.0%
210	Evergrande Bay Changchun	Changchun	119,948	401,353	160,869.59	221,177	100.0%
211	Evergrande Moon Residence Changchun	Changchun	51,067	99,919	71,965.13	27,954	80.0%
212	Evergrande Royal Palace Changchun	Changchun	188,431	395,705	89,551.68	196,507	100.0%
213	Evergrande Sandal River Changchun	Changchun	82,754	179,358	63,517	115,841	75.0%
214	Evergrande North Lake Plaza Changchun	Changchun	77,326	207,717	—	190,170	100.0%
215	Evergrande Aquatic Manor Changchun	Changchun	472,514	238,917	73,448	152,212	96.7%
216	Evergrande Oasis Shenyang	Shenyang	575,404	2,351,599	1,739,435.97	338,753	100.0%
217	Evergrande Metropolis Shenyang	Shenyang	353,066	1,273,531	1,040,269.54	105,377	60.2%
218	Evergrande Atrium Shenyang	Shenyang	239,169	754,922	461,272.82	201,259	100.0%
219	Evergrande Emerald Court Shenyang	Shenyang	104,410	322,558	232,142.675	90,415	75.5%
220	Evergrande Royal Scenic Bay Shenyang	Shenyang	61,038	166,076	138,860.34	27,216	100.0%
221	Evergrande Left Bank Riverfront Shenyang	Shenyang	299,669	599,338	279,241	305,358	100.0%
222	Evergrande Royal Summit Shenyang	Shenyang	138,197	443,491	158,125	184,784	85.7%
223	Evergrande Shengjing Plaza Shenyang	Shenyang	88,885	291,862	100,542	191,320	87.5%
224	Evergrande Central Plaza Shenyang	Shenyang	421,001	1,480,523	8,479	388,854	100.0%
225	Evergrande Yue Long Mansion Shenyang	Shenyang	89,961	161,930	35,315.17	97,525	100.0%
226	Evergrande Yihe&Shengjing Family	Shenyang	379,233	526,568	—	309,164	70.0%
227	Evergrande Shengjing Jade Garden Shenyang	Shenyang	138,111	260,222	—	171,318	100.0%
228	Evergrande Royal View Garden Shenyang	Shenyang	65,967	494,753	—	—	90.0%
229	Evergrande Green Village Shenyang	Shenyang	357,646	487,440	—	—	100.0%

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					Completed properties (m <sup>2</sup> )	Properties under development and held for future development (m <sup>2</sup> )	
230	Evergrande Atrium Hohhot	Huhehaote	95,730	349,225	303,030.06	19,534	74.0%
231	Evergrande Palace Hohhot	Huhehaote	105,119	347,785	301,697.43	46,088	100.0%
232	Evergrande Oasis Hohhot	Huhehaote	199,481	597,230	73,565.5	523,665	51.0%
233	Evergrande Emerald Court Hohhot	Huhehaote	127,786	380,096	64,649.37	313,990	51.0%
234	Evergrande Royal Scenic Peninsula Shijiazhuang	Shijiazhuang	388,405	2,144,287	1,244,814.695	877,772	70.0%
235	Evergrande Splendor Shijiazhuang	Shijiazhuang	533,333	216,026	82,553.72	4,406	100.0%
236	Evergrande Forest Creek County Shijiazhuang	Shijiazhuang	99,047	220,558	129,559.52	90,998	63.0%
237	Evergrande Central Plaza Shijiazhuang	Shijiazhuang	25,062	184,590	—	184,590	100.0%
238	Evergrande Ten Miles Pond Shijiazhuang	Shijiazhuang	521,680	521,680	—	—	80.0%
239	Evergrande Yue Long Mansion Shijiazhuang	Shijiazhuang	79,453	79,453	—	19,725	52.0%
240	Evergrande Oasis Lanzhou	Lanzhou	686,641	1,579,274	459,082.34	193,415	100.0%
241	Evergrande City Plaza Lanzhou	Lanzhou	32,939	164,693	78,644.15	—	70.0%
242	Evergrande Scenic Garden Lanzhou	Lanzhou	357,460	659,174	476,799.46	182,374	100.0%
243	Evergrande Emerald Court Lanzhou	Lanzhou	172,828	604,897	351,914	149,482	100.0%
244	Evergrande Royal View Garden Lanzhou	Lanzhou	144,649	771,015	415,886.2	203,314	100.0%
245	Evergrande Future City Lanzhou	Lanzhou	156,481	469,444	—	—	100.0%
246	Evergrande Metropolis Xining	Xining	138,355	439,772	371,596.98	68,175	100.0%
247	Evergrande Royal Scenic Yinchuan	Yinchuan	93,309	296,709	218,709.89	69,780	100.0%
248	Evergrande Royal View Garden Yinchuan	Yinchuan	89,312	236,274	112,277.6	123,996	100.0%
249	Evergrande Royal Scenic Peninsula Yinchuan	Yinchuan	226,611	339,917	166,343.88	147,048	80.0%
250	Evergrande Oasis Zhengzhou	Zhengzhou	198,422	1,035,829	712,075.13	323,754	100.0%
251	Evergrande Metropolis Zhengzhou	Zhengzhou	126,730	785,723	194,516.32	—	100.0%
252	Evergrande Scenic Garden Zhengzhou	Zhengzhou	701,394	1,314,439	1,012,448.98	282,594	50.2%
253	Evergrande Emerald Court Zhengzhou	Zhengzhou	88,000	416,959	355,563.32	61,396	100.0%
254	Evergrande Mansion Zhengzhou	Zhengzhou	72,590	272,760	191,843.81	77,154	100.0%
255	Evergrande Atrium Zhengzhou	Zhengzhou	43,312	171,805	1,600	170,205	100.0%
256	Evergrande City Zhengzhou	Zhengzhou	265,529	1,001,164	230,116.14	268,171	51.0%
257	Evergrande Yue Long Mansion Zhengzhou	Zhengzhou	115,974	414,415	—	—	64.0%
258	Evergrande Future City Zhengkai	Kaifeng	735,757	2,133,446	495,063.2	756,530	100.0%
259	Evergrande Splendor Xinxiang	Xinxiang	940,047	1,691,054	991,508.21	469,996	100.0%
260	Evergrande Royal Scenic Bay Xinxiang	Xinxiang	233,060	708,431	519,755.55	188,675	100.0%
261	Evergrande Wonderland Kaifeng	Kaifeng	1,232,132	2,759,889	—	1,808,200	100%
262	Evergrande City Guiyang	Guiyang	248,965	915,298	726,656.52	180,765	100.0%
263	Evergrande Atrium Guiyang	Guiyang	64,290	383,012	289,844.79	93,167	60.0%
264	Evergrande Emerald Court Guiyang	Guiyang	70,940	391,708	310,080.47	81,628	100.0%
265	Evergrande Royal View Garden Guiyang	Guiyang	230,172	759,000	524,692.71	133,202	100.0%
266	Evergrande Golden Sun City Guiyang	Guiyang	2,152,684	3,134,069	1,202,394.37	590,342	100.0%
267	Evergrande Central Park Guiyang	Guiyang	365,334	1,069,826	249,028.67	99,098	100.0%
268	Evergrande Central Square Guiyang	Guiyang	320,667	852,877	172,299.755	256,958	100.0%
269	Evergrande Metropolis Square Guiyang	Guiyang	132,000	460,949	165,493.9	96,381	100.0%
270	Evergrande Left Riverfront Guiyang	Guiyang	93,833	469,164	92,067.05	384,250	90.0%
271	Evergrande Future City Guiyang	Guiyang	133,024	441,310	—	214,085	100.0%
272	Evergrande Royal Palace Guiyang	Guiyang	95,299	270,546	—	182,621	100.0%
273	Evergrande Huaxi Children's City Guiyang	Guiyang	2,317,510	4,507,132	—	1,342,248	100%
274	Evergrande Splendor Kunming	Kunming	994,517	1,926,761	1,406,436.102	617,927	100.0%
275	Evergrande Cloud Palace Kunming	Kunming	207,135	1,204,111	548,678.28	418,601	51.0%
276	Evergrande Metropolis Kunming	Kunming	113,779	664,407	304,137.3	360,270	100.0%
277	Evergrande Jiu Long Bay Kunming	Kunming	290,118	854,422	210,264	81,605	100.0%
278	Evergrande Emerald Court Kunming	Kunming	22,986	248,847	—	248,847	100.0%
279	Evergrande Oasis Nanning	Nanning	248,870	764,515	632,991.17	122,810	100.0%
280	Evergrande International Center Nanning	Nanning	67,333	313,099	103,412	125,604	100.0%
281	Evergrande Metropolis Nanning	Nanning	164,774	862,182	676,195.3	185,986	100.0%
282	Evergrande Royal View Garden Nanning	Nanning	37,240	176,398	123,692.61	52,642	100.0%
283	Evergrande Metropolis Nanning	Nanning	20,051	110,512	84,636.86	25,875	100.0%
284	Evergrande Palace Nanning	Nanning	135,705	456,084	58,455.34	395,069	100.0%
285	Evergrande Atrium Nanning	Nanning	62,906	194,839	138,723.05	56,116	100.0%
286	Evergrande Scenic View Garden Nanning	Nanning	44,633	226,939	140,045.53	86,893	100.0%
287	Evergrande Culture Tourist City Haikou	Haikou	840,339	1,818,062	935,173.76	173,643	100%×100%
288	Evergrande Bay Haikou	Haikou	122,822	170,698	126,007.44	3,717	100.0%

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					Completed properties (m <sup>2</sup> )	Properties under development and held for future development (m <sup>2</sup> )	
289	Evergrande Bund Haikou	Haikou	115,408	552,168	286,255.43	62,732	100.0%
290	Evergrande Royal Scenic Bay Hainan	Haikou	209,904	745,440	709,064.86	36,375	100.0%
291	Evergrande Royal Sea Hainan	Haikou	865,988	1,209,000	204,056.21	393,152	100.0%
292	Evergrande Dingan Royal Lake Manor Haikou	Haikou	233,968	241,238	120,973.56	—	75.0%
293	Evergrande Yue Long Bay Wanning	Haikou	194,510	195,608	—	—	100.0%
294	Evergrande Oasis Urumchi	Wulumuqi	166,278	524,902	206,922.31	155,462	100.0%
295	Evergrande Green City Urumchi	Wulumuqi	467,000	467,000	43,086.65	412,285	100.0%
296	Evergrande Splendor Urumchi	Wulumuqi	2,118,064	2,204,330	468,836.76	473,318	100.0%
297	Evergrande City Lights Urumchi	Wulumuqi	37,770	207,735	—	—	51.0%
298	Evergrande Jewelry Palace Urumqi	Wulumuqi	52,870	248,489	—	—	51.0%
299	Evergrande Tixiang Village Chongqing	Chongqing	289,812	473,843	—	—	100.0%
300	Evergrande Metropolis Chongqing	Chongqing	177,813	843,014	706,910.75	136,104	100.0%
301	Evergrande Atrium Chongqing	Chongqing	318,188	990,267	770,147.54	220,120	100.0%
302	Evergrande Splendor Chongqing	Chongqing	1,807,272	3,050,788	2,056,236.49	124,079	100.0%
303	Evergrande Emerald Court Chongqing	Chongqing	671,931	367,997	332,597.93	35,399	100.0%
304	Evergrande Royal Scenic Peninsula Chongqing	Chongqing	—	436,868	202,831.28	213,487	100.0%
305	Evergrande Scenic Garden Chongqing	Chongqing	—	759,472	364,169.33	393,737	100.0%
306	Evergrande Scenic Garden Fuling	Chongqing	197,054	515,722	337,212.38	178,510	100.0%
307	Evergrande Royal Scenic Bay Chongqing	Chongqing	31,540	131,814	70,579.36	61,235	100.0%
308	Evergrande Royal Palace Chongqing	Chongqing	127,271	254,542	—	—	100.0%
309	Evergrande Century City Chongqing	Chongqing	263,148	876,805	511,770.35	336,029	100.0%
310	Evergrande C C Land Plaza	Chongqing	183,382	791,463	268,423.96	57,724	60.0%
311	Evergrande The Coronation Chongqing	Chongqing	205,134	1,437,868	687,232.3	667,783	69.1%
312	Evergrande Central Square Chongqing	Chongqing	132,502	1,028,949	319,656.33	247,598	100.0%
313	Evergrande Emerald Bay Chongqing	Chongqing	278,526	427,552	103,562.11	197,718	51.0%
314	Evergrande Gentleman Hill Palace Chongqing	Chongqing	182,266	403,045	46,600	356,445	45.9%
315	Evergrande New City Chongqing	Chongqing	252,100	793,230	160,545	632,685	60.0%
316	Evergrande Lushan Lake Chongqing	Chongqing	184,954	321,399	75,389.51	125,746	100.0%
317	Evergrande Future City Chongqing	Chongqing	376,104	575,716	240,820.74	172,514	51.0%
318	Evergrande Excellent Live City Chongqing	Chongqing	205,941	670,325	115,923.97	497,556	100.0%
319	Evergrande Verakin New Park City Chongqing	Chongqing	951,674	424,997	—	129,198	100.0%
320	Evergrande Smart Eco-city Chongqing	Chongqing	55,634	112,243	—	112,243	100.0%
321	Evergrande Green Island Chongqing	Chongqing	254,478	482,801	112,139.46	311,535	100.0%
322	Evergrande Left Lakefront Chongqing	Chongqing	48,750	255,760	112,100	142,340	100.0%
323	Evergrande Top Mansion Chongqing	Chongqing	331,501	389,055	—	26,300	100.0%
324	Evergrande Zhongxian Project Chongqing	Chongqing	241,400	506,957	—	—	100.0%
325	Evergrande Metropolis Qianjiang	Chongqing	191,316	363,500	—	—	100.0%
326	Evergrande Century Dreamlike City Chongqing	Chongqing	564,183	1,128,366	—	—	100.0%
327	Evergrande Oasis Tianjin	Tianjin	878,096	1,237,616	1,105,572.77	132,043	100.0%
328	Evergrande Scenic Garden Tianjin	Tianjin	506,159	848,023	510,595.82	314,270	100.0%
329	Evergrande Splendor Tianjin	Tianjin	1,675,803	1,171,528	325,487.2	76,977	100.0%
330	Evergrande Metropolis Tianjin	Tianjin	289,509	390,458	389,057.05	1,401	100.0%
331	Evergrande Royal Scenic Peninsula Tianjin	Tianjin	213,680	338,646	253,532.22	85,114	100.0%
332	Evergrande Royal View Garden Tianjin	Tianjin	113,569	359,175	174,960.75	184,215	100.0%
333	Evergrande Royal Scenic Bay Tianjin	Tianjin	88,065	231,702	156,530.32	75,172	100.0%
334	Evergrande Top Mansion Tianjin	Tianjin	195,155	433,698	—	433,698	51.0%
335	Evergrande Flower Creek Town Tianjin	Tianjin	174,617	716,194	176,537.69	469,688	100.0%
336	Evergrande Phoenix Manor Tianjin	Tianjin	159,718	175,680	—	—	100.0%
337	Evergrande Royal Palace Tianjin	Tianjin	55,763	83,645	—	—	100.0%
338	Evergrande Sandal River Dalian	Dalian	56,921	79,575	53,861.3	25,714	100.0%
339	Evergrande Royal View Garden Dalian	Dalian	152,704	314,040	211,464.46	102,576	100.0%
340	Evergrande Royal Scenic Bay Dalian	Dalian	28,400	126,517	121,231.13	5,286	100.0%
341	Evergrande Harbor City Dalian	Dalian	247,600	607,550	231,526	87,297	100.0%
342	Evergrande City Lights Dalian	Dalian	32,068	169,721	39,733	129,988	90.0%
343	Evergrande Four Seasons Dalian	Dalian	102,657	265,119	145,440	65,378	100.0%
344	Evergrande Atrium Dalian	Dalian	121,153	314,998	—	—	51.0%
345	Evergrande Park Avenue Dalian	Dalian	38,592	150,000	58,175.17	49,825	100.0%
346	Evergrande Golden Beach Qingdao	Qingdao	335,790	429,771	198,731.62	111,533	95.0%
347	Evergrande Yue Long Mansion Qingdao	Qingdao	533,336	642,989	95,755.97	306,816	100.0%



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348	Evergrande Royal Dragon Bay Qingdao	Qingdao	456,669	625,636	—	—	80.0%
349	Evergrande Royal Billow International Qingdao	Qingdao	320,747	396,289	37,465.5	185,913	100.0%
350	Evergrande City Lights Ningbo	Ningbo	126,985	728,769	374,415.85	47,290	100.0%
351	Evergrande Scenic Garden Ningbo	Ningbo	688,782	1,002,072	651,876.05	21,177	100.0%
352	Evergrande Peninsula On The Sea Xiangshan	Ningbo	385,118	752,520	39,100	385,234	100.0%
353	Evergrande Guanlan Palace Yuyao	Ningbo	76,823	232,414	166,165.1	65,241	100.0%
354	Fenghua Xikou Project	Ningbo	342,688	504,340	196,214	164,554	100.0%
355	Evergrande Royal Scenic Ningbo	Ningbo	164,097	361,013	—	—	66.3%
356	Evergrande Harbour Town Ningbo	Ningbo	801,098	1,415,842	—	—	100.0%
357	Evergrande Royal View Garden Xiamen	Xiamen	70,825	275,891	219,715.14	56,176	100.0%
358	Evergrande Jewelry Suzhou	Suzhou	233,628	389,198	10,038.685	238,143	51.0%
359	Evergrande Yue Long Bay Suzhou	Suzhou	85,935	257,289	9,667.18	247,621	51.0%
360	Evergrande Atrium Zhangjiagang	Suzhou	130,993	373,202	265,607.69	107,594	90.0%
361	Evergrande Oasis Wuxi	Wuxi	263,300	899,155	491,693.45	155,929	100.0%
362	Evergrande Royal Seaview Bay Wuxi	Wuxi	165,227	437,736	262,382	164,021	100.0%
363	Evergrande Yue Long Bay Wuxi	Wuxi	120,254	369,214	52,641	306,677	100.0%
364	Evergrande Royal View Garden Jiangyin	Wuxi	124,085	393,949	219,918.9	174,030	100.0%
365	Evergrande Royal Scenic Jiangyin	Wuxi	120,927	376,409	254,716.3	121,692	51.0%
366	Evergrande Paradise Palace Wuxi	Wuxi	63,661	231,265	—	231,265	51.0%
367	Evergrande Billow Palace Wuxi	Wuxi	173,130	363,573	8,495	405,445	100.0%
368	Evergrande Qizi Bay Jiangyan	Wuxi	67,195	143,128	106,156.8	36,971	100.0%
369	Evergrande Royal View Splendor Wuxi	Wuxi	124,527	244,850	—	—	100.0%
370	Evergrande Yue Long Mansion Wuxi	Wuxi	60,210	108,378	—	—	100.0%
371	Evergrande Royal Seaview Garden Wuxi	Wuxi	75,245	150,490	—	—	100.0%
372	Evergrande Royal Lake Yixing	Wuxi	94,906	180,322	—	—	100.0%
373	Evergrande Scenic Garden Yixing	Wuxi	118,636	142,363	—	—	100.0%
374	Evergrande Dongjiu Court Yixing	Wuxi	58,869	134,478	80,954	53,524	100.0%
375	Evergrande Flower Creek Town Yixing	Wuxi	910,777	925,245	—	245,328	70.0%
376	Evergrande Royal Scenic Bay Foshan	Foshan	90,079	291,981	258,716.62	33,264	100.0%
377	Evergrande Royal Garden Shunde	Foshan	39,405	211,743	176,983	34,760	100.0%
378	Evergrande Emerald Court Foshan	Foshan	51,271	197,100	194,390	2,710	100.0%
379	Evergrande City Foshan	Foshan	74,271	294,991	226,359.64	68,631	100.0%
380	Evergrande Royal Lake Bay Foshan	Foshan	135,831	482,100	317,981.9	88,486	100.0%
381	Evergrande Royal Lake County Foshan	Foshan	55,557	220,100	165,114.83	54,985	100.0%
382	Evergrande Li Lake City Foshan	Foshan	358,214	939,267	39,051.7	580,629	100.0%
383	Evergrande Longjiang Emerald Shunde	Foshan	35,244	156,992	95,830.15	61,162	100.0%
384	Evergrande Scenic Palace Foshan	Foshan	876,786	666,797	146,125.29	463,278	100.0%
385	Evergrande Royal Riverfront Palace Foshan	Foshan	28,723	99,189	—	99,189	100.0%
386	Evergrande Lake County Foshan	Foshan	208,962	459,716	61,922.77	242,038	51.0%
387	Evergrande Yundonghai Project Foshan	Foshan	1,108,596	628,935	143,626.36	115,415	100.0%
388	Evergrande Royal Seaview Garden Foshan	Foshan	95,370	305,984	—	305,984	100.0%
389	Evergrande Bay Foshan	Foshan	58,786	207,913	—	200,572	100.0%
390	Evergrande Atrium Foshan	Foshan	45,399	113,497	—	—	100.0%
391	Evergrande Left Riverside Foshan	Foshan	39,984	99,959	—	—	100.0%
392	Evergrande Leping Project Foshan	Foshan	105,523	284,913	—	—	100.0%
393	Evergrande Royal Scenic Peninsula Yantai	Yantai	166,500	337,200	—	—	51.0%
394	Evergrande Fairyland Yantai	Yantai	2,874,316	7,861,567	—	—	90.0%
395	Evergrande Royal Scenic Dongguan	Dongguan	80,194	227,065	183,275	43,790	100.0%
396	Evergrande Emerald Court Dongguan	Dongguan	94,521	162,942	105,479.64	49,872	100.0%
397	Evergrande Bay Dongguan	Dongguan	121,000	252,300	165,833	86,467	51.0%
398	Evergrande Left Riverside Dongguan	Dongguan	64,655	221,428	162,749.8	58,679	100.0%
399	Evergrande Royal Garden Dongguan	Dongguan	31,033	120,689	92,930.93	27,758	100.0%
400	Evergrande Billow Bay Wenzhou	Wenzhou	59,454	371,257	94,578	106,665	100.0%
401	Evergrande Top Mansion Wenzhou	Wenzhou	47,107	187,356	—	187,356	100.0%
402	Evergrande Yue Long Mansion Wenzhou	Wenzhou	387,606	1,130,000	—	294,644	100.0%
403	Evergrande Royal Scenic Bay Quanzhou	Quanzhou	57,068	168,943	150,337.86	18,605	100.0%
404	Evergrande Emerald Dragon Court Quanzhou	Quanzhou	29,031	120,264	91,291.15	5,061	100.0%
405	Evergrande City Plaza Quanzhou	Quanzhou	14,000	150,126	—	150,126	100.0%



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406	Evergrande Metropolis Shishi	Quanzhou	185,809	601,948	440,225.58	161,723	100% , 拓地部分 98.25%
407	Evergrande Royal Scenic Bay Anxi	Quanzhou	147,283	248,845	80,714.62	168,131	100.0%
408	Evergrande Atrium Quanzhou	Quanzhou	66,303	259,686	202,693.05	56,993	100.0%
409	Evergrande New Town Quanzhou	Quanzhou	60,885	250,250	—	202,303	100.0%
410	Evergrande Royal Seaview Garden Nantong	Nantong	70,317	166,769	31,439	135,330	100.0%
411	Evergrande Yue Long Bay Nantong	Nantong	94,192	259,415	161,292	98,123	100.0%
412	Evergrande Palace Tangshan	Tangshan	84,686	395,661	278,347.99	117,313	60.0%
413	Evergrande Royal Sea Tangshan	Tangshan	470,127	671,715	—	—	100.0%
414	Evergrande Peach Blossom Spring Town Tangshan	Tangshan	87,398	117,133	—	—	100.0%
415	Evergrande Metropolis Weifang	Weifang	289,254	1,012,389	836,153.28	45,196	100.0%
416	Evergrande Emerald Court Weifang	Weifang	87,534	293,930	218,293.59	16,883	100.0%
417	Evergrande Left Bank Riverfront Xuzhou	Xuzhou	124,945	407,622	140,604.73	267,017	95.0%
418	Evergrande Forest Creek County Xuzhou	Xuzhou	76,847	322,303	—	196,958	80.0%
419	Evergrande Pan Lake Town Xuzhou	Xuzhou	1,853,037	3,632,463	—	—	51.0%
420	Evergrande Oasis Zhongshan	Zhongshan	147,575	660,935	421,682.52	239,252	100.0%
421	Evergrande Royal Palace Zhongshan	Zhongshan	88,390	351,501	77,087.24	274,414	67.0%
422	Evergrande Royal Scenic Zhongshan	Zhongshan	79,103	237,308	—	—	70.0%
423	Evergrande Royal Scenic Bay Shantou	Shantou	166,253	501,370	415,727.88	85,642	100.0%
424	Evergrande Bund Shantou	Shantou	145,831	548,291	161,698.08	386,593	90.0%
425	Evergrande Jinbi Bay Shantou	Shantou	297,448	884,723	119,448	170,629	65.0%
426	Evergrande Ocean Spring Zhuhai	Zhuhai	242,800	341,000	115,338.21	225,662	51.0%
427	Evergrande Emerald Court Zhuhai	Zhuhai	66,632	66,632	—	—	100.0%
428	Zhuhai Zhuofu Project	Zhuhai	7,606	98,621	—	98,621	90.0%
429	Evergrande Royal Ocean View Garden Sanya	Sanya	299,415	440,388	350,738.19	89,649	100.0%
430	Evergrande Royal Palace Sanya	Sanya	86,033	375,428	160,558.38	100,221	100.0%
431	Evergrande Kantang Project Yunfu	Yunfu	119,856	419,495	—	—	100.0%
432	Evergrande City Yunfu	Yunfu	369,888	1,001,083	692,331.71	138,447	100.0%
433	Evergrande City Shaoguan	Shaoguan	450,839	1,392,211	984,809.68	194,682	100.0%
434	Evergrande City Chaozhou	Chaozhou	546,973	2,094,637	1,181,837.6	838,586	100.0%
435	Evergrande Scenic Garden Chaozhou	Chaozhou	245,369	658,921	270,886.9	131,978	100.0%
436	Evergrande Metropolis Chaozhou	Chaozhou	101,924	356,734	134,466.83	184,852	100.0%
437	Evergrande Metropolis Heyuan	Heyuan	276,031	887,443	709,619.84	117,124	100.0%
438	Evergrande Left Riverfront Heyuan	Heyuan	200,040	300,000	—	148,172	100.0%
439	Evergrande Royal Scenic Peninsula Jiangmen	Jiangmen	137,584	401,457	252,775	148,682	80.0%
440	Evergrande Spring City Enping	Jiangmen	2,496,895	3,283,039	517,017.78	500,126	100.0%
441	Evergrande Yue Long Bay Kaiping	Jiangmen	445,400	870,000	—	325,300	98.0%
442	Evergrande Oasis Jieyang	Jieyang	193,248	555,270	135,312.76	414,614	100.0%
443	Evergrande Emerald Court Jieyang	Jieyang	74,972	187,430	—	—	100.0%
444	Evergrande Palace Jieyang	Jieyang	59,839	276,590	69,738	190,062	92.0%
445	Evergrande Royal Scenic Peninsula Meizhou	Meizhou	597,006	2,063,164	534,688.32	787,586	100.0%
446	Evergrande Hawaii on the Sea Yangjiang	Yangjiang	1,228,925	1,009,862	560,238.95	326,582	100.0%
447	Evergrande Metropolis Yangjiang	Yangjiang	138,669	423,798	356,397	67,401	100.0%
448	Evergrande Royal View Garden Yangjiang	Yangjiang	99,224	257,273	167,265	90,008	100.0%
449	Evergrande Yue Long Mansion Yangjiang	Yangjiang	115,992	231,634	84,751	59,610	100.0%
450	Evergrande Oasis Zhanjiang	Zhanjiang	127,834	491,793	393,915.79	97,877	100.0%
451	Evergrande Royal View Garden Zhanjiang	Zhanjiang	84,881	319,473	—	238,768	60.0%
452	Evergrande Atrium Huizhou	Huizhou	60,986	239,952	—	239,952	100.0%
/	Evergrande Atrium Huizhou	Huizhou	63,820	250,723	—	250,723	100.0%
453	Evergrande Century Dreamlike City Zhaoqing	Zhaoqing	1,278,524	2,301,343	276,994.27	253,351	58.0%
454	Evergrande Royal Lake City Zhaoqing	Zhaoqing	137,727	526,506	252,484.9	274,021	100.0%
455	Evergrande Emerald Court Zhaoqing	Zhaoqing	41,739	195,886	85,566.65	110,319	100.0%

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456	Evergrande Royal Lake Zhaoqing	Zhaoqing	320,588	883,159	139,404.86	238,745	肇慶市團星房地 產開發有限公司 100%、肇慶鼎湖 團星房地產開發 有限公司90%、 肇慶鼎湖團星置 業投資有限公司 100%
457	Evergrande City Zhaoqing	Zhaoqing	210,758	505,819	—	—	51.0%
458	Evergrande Oasis Zhaoqing	Zhaoqing	253,275	810,469	—	—	100% (二手); 90% (一手)
459	Evergrande Metropolis Zhaoqing	Zhaoqing	103,279	361,475	—	—	100.0%
460	Evergrande Royal Lake City Maoming	Maoming	175,437	555,196	—	—	100.0%
461	Evergrande Yue Long Bay Huzhou	Huzhou	174,422	427,641	189,188	238,453	51.0%
462	Evergrande Yue Long Mansion Huzhou	Huzhou	87,548	243,219	—	243,125	51.0%
463	Evergrande Royal Garden Huzhou	Huzhou	27,942	69,855	—	—	100.0%
464	Evergrande Royal Summit Huzhou	Huzhou	96,025	192,050	—	—	100.0%
465	Evergrande An Ji Town Huzhou	Huzhou	252,450	277,695	—	—	51.0%
466	Evergrande Changxi Project	Huzhou	74,964	119,942	—	—	100.0%
467	Evergrande Royal Lakeside Mano Jiande	Hangzhou	333,743	438,107	—	—	100.0%
468	Evergrande Left Xianghu Jiaxing	Jiaxing	118,842	229,171	—	229,171	100.0%
469	Evergrande Royal Scenic Bay Jiaxing	Jiaxing	124,269	273,392	—	236,949	100.0%
470	Evergrande Royal Scenic Peninsula Quzhou	Quzhou	181,050	461,460	384,793.68	76,666	100.0%
471	Evergrande Jewelry Palace Shaoxing	Shaoxing	140,727	462,922	153,843.05	309,079	50.5%
472	Evergrande Shengzhou Project Shaoxing	Shaoxing	90,818	287,691	116,603.09	171,051	95.0%
473	Evergrande Royal Seaview Garden Shaoxing	Shaoxing	83,400	195,406	—	195,406	100.0%
474	Evergrande Future City Shaoxing	Shaoxing	254,668	636,670	82,169.228	244,657	100.0%
475	Evergrande Yue Long Mansion Shaoxing	Shaoxing	189,634	227,561	109,417.9014	89,175	100.0%
476	Evergrande River Royal Palace Shaoxing	Shaoxing	108,531	217,049	89,599	127,450	51.0%
477	Evergrande Royal Palace Shaoxing	Shaoxing	61,961	199,795	—	199,795	100.0%
478	Evergrande Royal Scenic Bay Shaoxing	Shaoxing	61,281	147,074	—	—	100.0%
479	Evergrande City Galaxy Project Taizhou	Taizhou	148,856	505,129	84,048.2	248,287	100.0%
480	Evergrande Royal Scenic Peninsula Taizhou	Taizhou	168,047	420,000	—	—	100.0%
481	Evergrande Royal Scenic Bay Zhoushan	Zhoushan	55,113	150,161	105,616.01	43,803	100.0%
482	Evergrande Scenic View Garden Changzhou	Changzhou	58,625	205,187	34,402.26	164,451	100.0%
483	Evergrande Jintan District Golden Bay Changzhou Project	Changzhou	620,668	265,175	—	—	60.0%
484	Evergrande Jintan River Project Changzhou	Changzhou	76,359	190,899	—	—	100.0%
485	Evergrande Billow Palace Liyang	Changzhou	140,000	252,000	—	—	100.0%
486	Evergrande Metropolis Huai'an	Huai'an	283,233	1,047,190	848,247	135,844	100.0%
487	Evergrande City Lianyungang	Lianyungang	274,128	822,280	—	—	100.0%
488	Evergrande Forest Creek County Lianyugang	Lianyungang	114,444	280,924	156,244	89,206	100.0%
489	Evergrande Royal Peak Lianyugang	Lianyungang	101,890	236,872	182,519	20,615	100.0%
490	Evergrande Royal Scenic Peninsula Jingjiang	Taizhou	563,198	757,923	170,053	48,935	51.0%
491	Evergrande Palace Taizhou	Taizhou	262,480	620,100	113,171	131,617	100.0%
492	Evergrande Top Mansion Taizhou	Taizhou	121,462	267,216	—	—	100.0%
493	Evergrande Palace Suqian	Suqian	238,187	833,654	622,605.07	149,084	100.0%
494	Evergrande Emerald Court Suqian	Suqian	146,299	368,724	94,079	274,645	100.0%
495	Evergrande Metropolis Yancheng	Yancheng	181,456	731,946	501,967.45	229,979	100.0%
496	Evergrande Royal View Garden Yancheng	Yancheng	259,015	713,470	462,976	250,194	100.0%
497	Evergrande Emerald County Dongtai	Yancheng	61,232	143,320	105,794	37,526	100.0%
498	Evergrande Billow Bay Yancheng	Yancheng	127,556	313,149	17,458.8	295,690	100.0%
499	Evergrande Left Riverfront Yizheng	Yangzhou	82,194	174,825	—	—	100.0%
500	Evergrande Yue Long Mansion Yangzhou	Yangzhou	61,228	163,333	—	162,356	100.0%
501	Evergrande Emerald Court Yangzhou	Yangzhou	79,054	273,287	—	215,659	100.0%
502	Evergrande Palace Yangzhou	Yangzhou	78,206	257,159	—	243,656	100.0%
503	Evergrande Yue Long Bay Yangzhou	Yangzhou	83,950	95,212	—	50,375	100.0%
504	Evergrande Arium Zhenjiang	Zhenjiang	315,352	1,164,919	874,270.38	249,569	100.0%
505	Evergrande Oasis Zhenjiang	Zhenjiang	63,383	250,776	177,273	12,979	100.0%

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506	Evergrande Metropolis Danyang	Zhenjiang	282,022	964,115	786,122.65	142,727	100.0%
507	Evergrande City Danyang	Zhenjiang	94,832	265,535	177,402.92	25,573	100.0%
508	Evergrande Royal Palace Zhenjiang	Zhenjiang	48,828	103,276	—	102,397	100.0%
509	Evergrande Palace Zhenjiang	Zhenjiang	148,955	275,500	—	182,144	30.0%
510	Evergrande Oasis Anyang	Anyang	406,660	1,318,141	711,626.87	574,957	100.0%
511	Evergrande Metropolis Hebi	Hebi	124,886	366,217	256,253.55	108,408	100.0%
512	Evergrande City Jiaozuo	Jiaozuo	96,285	462,576	278,620.34	91,221	100.0%
513	Evergrande Royal View Garden Kaifeng	Kaifeng	180,948	547,281	497,681.06	49,600	53.0%
514	Evergrande Royal View Garden Lankao	Kaifeng	266,628	533,258	124,365.68	368,834	100.0%
515	Evergrande Oasis Luoyang	Luoyang	892,080	3,483,981	2,091,002.33	359,937	100.0%
516	Evergrande Cloud Villa Luoyang	Luoyang	336,191	454,836	—	—	100.0%
517	Evergrande Metropolis Luohe	Luohe	170,124	728,042	319,603.03	281,634	100.0%
518	Evergrande Royal Scenic Luohe	Luohe	50,779	284,862	203,111.41	81,751	100.0%
519	Evergrande Top Mansion Luohe	Luohe	83,182	207,956	—	—	100.0%
520	Evergrande Royal View Garden Nanyang	Nanyang	204,621	585,272	416,908.77	168,363	100.0%
521	Evergrande Royal Scenic Bay Nanyang	Nanyang	117,850	371,521	322,089.75	49,431	55.0%
522	Evergrande Emerald Court Nanyang	Nanyang	67,109	136,475	—	126,040	60.0%
523	Evergrande Metropolis Zhumadian	Pingdingshan	100,546	433,715	400,823.42	32,892	57.0%
524	Evergrande Royal Scenic Peninsula Pingdingshan	Pingdingshan	87,676	237,658	187,900	—	64.0%
525	Evergrande Jewelry Palace Pingdingshan	Pingdingshan	87,919	307,715	—	161,005	67.0%
526	Evergrande Yue Long Mansion Puyang	Puyang	138,477	366,389	241,050.4	125,339	100.0%
527	Evergrande Yue Long Bay Puyang	Puyang	125,545	370,666	137,057.93	233,608	100.0%
528	Evergrande Jewelry Palace Fuyang	Puyang	138,680	346,700	—	—	80.0%
529	Evergrande Metropolis Shangqiu	Shangqiu	368,407	1,213,084	521,224	480,545	100.0%
530	Evergrande Emerald Court Shangqiu	Shangqiu	156,840	409,257	142,563	—	一期60.0%, 二期100.0%
531	Evergrande Shangtong Road Shangqiu	Shangqiu	116,272	291,667	—	—	50.0%
532	Evergrande Jewelry Palace Xinxiang	Xinxiang	212,319	677,557	—	—	100.0%
533	Evergrande Metropolis Xinyang	Xinyang	323,530	789,280	636,994.66	152,285	100.0%
534	Evergrande Emerald Court Xinyang	Xinyang	149,738	496,427	414,802.18	81,624	55.0%
535	Evergrande Royal Scenic Bay Xinyang	Xinyang	152,414	457,242	—	195,489	58.0%
536	Evergrande Oasis Xuchang	Xuchang	185,052	753,449	703,702.56	49,746	100.0%
537	Evergrande Emerald Court Xuchang	Xuchang	62,556	232,624	165,945.835	66,679	100.0%
538	Evergrande Top Mansion Xuchang	Xuchang	75,919	282,835	108,111.37	163,157	51.0%
539	Evergrande Yue Long Mansion Xuchang	Xuchang	300,000	950,000	—	—	75.0%
540	Evergrande Metropolis Zhoukou	Zhoukou	132,779	549,274	307,273.66	114,910	70.0%
541	Evergrande Royal View Garden Taikang	Zhoukou	95,878	177,116	142,900	—	100.0%
542	Evergrande Metropolis Zhumadian	Zhumadian	103,043	534,630	373,475.32	161,155	100.0%
543	Evergrande City Cangzhou	Cangzhou	171,898	537,722	463,858.29	73,863	100.0%
544	Evergrande Top Mansion Cangzhou	Cangzhou	69,165	211,129	12,963.23	139,477	100.0%
545	International Cultural Tourism City, Nanda Bay Cangzhou	Cangzhou	4,791,783	5,692,804	—	7,962	100.0%
546	Evergrande Metropolis Handan	Handan	167,998	892,394	294,439.34	386,721	90.0%
547	Evergrande Emerald Court Handan	Handan	111,310	493,666	232,242.12	167,995	52.4%
548	Evergrande Beihai Manor Handan	Handan	340,002	761,000	—	—	51.0%
549	Evergrande Oasis Handan	Handan	114,001	337,000	—	117,088	51.0%
550	Evergrande Seine River Handan	Handan	72,000	294,944	59,426.79	235,517	51.0%
551	Taihongsen Mall Project(P.1)	Handan	75,334	121,000	—	—	51.0%
/	Evergrande Dragon Court (P.2)	Handan	53,807	109,768	—	—	51.0%
/	Evergrande Blooming Garden Handan	Handan	33,000	75,092	75,092	—	51.0%
/	Evergrande Rainbow Town Handan	Handan	12,467	9,596	—	—	51.0%
552	Evergrande Splendid Mansion Handan	Handan	172,071	430,177	—	—	60.0%
553	Evergrande Royal Scenic Peninsula Handan	Handan	54,054	99,808	—	—	100.0%
554	Evergrande City Hengshui	Hengshui	181,166	507,266	370,091.92	186,907	75.0%
555	Evergrande Oasis Hengshui	Hengshui	171,241	612,490	433,685.75	109,956	60.0%
556	Evergrande Metropolis Langfang	Langfang	101,351	293,630	229,306.77	64,323	100.0%
557	Langfang Zhongding Project Langfang	Langfang	20,333	53,500	—	27,266	100.0%
558	Evergrande Emerald Court Langfang	Langfang	133,333	368,504	274,212.26	94,292	100.0%
559	Evergrande City Qinhuangdao	Qinhuangdao	796,537	2,947,180	511,260.57	134,757	100.0%

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560	Evergrande City Xingtai	Xingtai	106,353	415,762	318,758.2	97,004	72.0%
561	Evergrande Royal View Garden Xingtai	Xingtai	27,376	109,647	101,226.56	8,420	72.0%
562	Evergrande Metropolis Xingtai	Xingtai	88,671	265,126	144,665.21	2,112	100.0%
563	Evergrande Scenic Garden Xingtai	Xingtai	127,558	318,850	277,167.13	2,508	58.0%
564	Evergrande Top Mansion Xingtai	Xingtai	115,618	231,200	—	211,729	100.0%
565	Evergrande Palace Changde	Changde	314,862	1,097,687	831,106.09	244,317	60.0%
566	Evergrande Royal Scenic Bay Changde	Changde	58,651	199,234	37,467	159,380	65.0%
567	Evergrande Coronation Changde	Changde	101,744	284,884	—	140,255	100.0%
568	Evergrande Oasis Changde	Changde	176,707	441,769	—	—	100.0%
569	Evergrande Palace Chenzhou	Chenzhou	187,024	626,338	488,064.76	38,638	100.0%
570	Evergrande Royal View Garden Chenzhou	Chenzhou	121,668	365,004	225,077.96	105,762	65.0%
571	Evergrande Oasis Hengyang	Hengyang	95,441	563,626	436,429.44	127,196	69.5%
572	Evergrande Royal View Garden Huaihua	Huaihua	334,623	501,925	321,808.21	105,622	60.0%
573	Evergrande Royal Scenic Bay Huaihua	Huaihua	84,348	237,879	150,981.46	54,993	60.0%
574	Evergrande Palace Shaoyang	Shaoyang	207,209	663,070	190,079	77,182	60.0%
575	Evergrande Future City Shaoyang	Shaoyang	188,756	660,645	179,566.55	41,672	64.0%
576	Evergrande Emerald Court Xiangtan	Xiangtan	143,199	715,997	433,706.01	96,585	60.0%
577	Evergrande Royal Scenic Peninsula Xiangtan	Xiangtan	252,583	737,209	15,176.19	274,835	60.0%
578	Evergrande Literary Beijing	Xiangtan	118,967	564,726	173,411.18	387,466	60.0%
579	Evergrande Palace Xiangtan	Xiangtan	186,605	522,494	—	—	100.0%
580	Evergrande Oasis Yiyang	Yiyang	213,859	777,399	660,663.03	116,736	100.0%
581	Evergrande Nanhu Peninsula Yueyang	Yueyang	193,928	673,035	456,029	200,219	64.0%
582	Evergrande Oasis Yueyang	Yueyang	121,039	480,143	267,611.5	207,756	65.0%
583	Evergrande Royal Scenic Bay Yueyang	Yueyang	59,640	223,736	129,584	94,152	65.0%
584	Evergrande Future City Yueyang	Yueyang	175,943	492,640	—	277,579	100.0%
585	Evergrande Metropolis Zhuzhou	Zhuzhou	65,028	285,779	234,437.51	51,139	100.0%
586	Evergrande Palace Zhuzhou	Zhuzhou	199,995	599,984	415,860.74	172,487	60.0%
587	Evergrande Royal Scenic Bay Zhuzhou	Zhuzhou	27,913	180,520	136,024.24	44,496	62.0%
588	Evergrande Forest Creek County Zhuzhou	Zhuzhou	100,715	325,839	154,492.23	155,233	100.0%
589	Evergrande Yu Jing Garden Zhuzhou	Zhuzhou	442,061	879,701	—	272,682	57.1%
590	Evergrande Yue Long Mansion Zhuzhou	Zhuzhou	119,121	333,540	—	—	100.0%
591	Evergrande Longao Regency Zhuzhou	Zhuzhou	35,280	88,199	—	—	100.0%
592	Evergrande Coronation Xiangxizhou	Xiangxizhou	65,276	228,467	—	—	100.0%
593	Evergrande Royal Palace Hanshou	Changde	68,040	170,101	—	—	72.0%
594	Evergrande Capital Palace Ezhou	Ezhou	622,700	1,291,403	596,012.22	429,836	67.1%
595	Evergrande Fairyland Ezhou	Ezhou	78,968	78,968	—	—	100.0%
596	Evergrande Royal Seaview Garden Enshi	Enshi	119,041	287,816	—	135,861	75.6%
597	Evergrande Royal View Garden Huangshi	Huangshi	78,523	203,146	131,668	71,478	100.0%
598	Evergrande Metropolis Huangshi	Huangshi	85,150	212,875	—	—	51.0%
599	Evergrande Royal View Garden Jingmen	Jingmen	55,553	263,461	107,647.65	155,813	100.0%
600	Evergrande Metropolis Jingzhou	Jingzhou	103,342	457,858	287,797.64	100,574	100.0%
601	Evergrande Golden Metropolis Jingzhou	Jingzhou	83,009	307,040	128,803.08	178,237	100.0%
602	Evergrande Emerald Court Jingzhou	Jingzhou	26,017	139,767	84,641.27	55,126	51.0%
603	Evergrande Royal Scenic Valley Jinzhou	Jingzhou	171,295	256,942	—	—	51.0%
604	Evergrande City Shiyang	Shiyang	488,969	1,623,432	144,897.8	44,372	43.4%
605	Evergrande Metropolis Suizhou	Suizhou	74,564	243,233	145,371.45	63,703	60.0%
606	Evergrande Golden Metropolis Suizhou	Suizhou	67,700	243,700	115,066.05	79,808	70.0%
607	Evergrande Yue Long Mansion Suizhou	Suizhou	79,530	198,825	—	—	100.0%
608	Evergrande Metropolis Xiangyang	Xiangyang	199,472	709,661	539,813.14	169,848	100.0%
609	Evergrande Emerald Court Xiangyang	Xiangyang	60,524	232,796	30,140.89	202,655	70.0%
610	Evergrande Royal Scenic Xiangyang	Xiangyang	93,623	94,559	—	73,969	55.0%
611	Evergrande Royal Palace Xiangyang	Xiangyang	115,600	395,528	—	373,068	100.0%
612	Evergrande Oasis Yichang	Yichang	265,890	854,735	669,450.08	185,285	100.0%
613	Evergrande Royal View Garden Yichang	Yichang	121,316	410,636	308,611.48	102,025	60.0%
614	Evergrande Scenic Garden	Yichang	168,138	492,997	340,041.68	152,956	60.0%
615	Evergrande Metropolis Yichang	Yichang	281,983	792,828	163,015.2	279,731	70.0%
616	Evergrande Forest Creek County Yichang	Yichang	72,104	216,300	—	—	100.0%
							70.0%

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617	Evergrande Metropolis Xianning	Xianning	90,411	271,233	—	—	100.0%
618	Evergrande Metropolis Qianjiang	Qianjiang	85,596	213,991	—	—	100.0%
619	Evergrande Yonghe Bay Dazhou	Dazhou	70,048	438,891	416,420.25	22,471	100.0%
620	Evergrande Royal Scenic Bay Luzhou	Luzhou	81,574	235,092	202,150.43	32,942	100.0%
621	Evergrande Palace Luzhou	Luzhou	87,264	343,025	64,699.57	270,300	100.0%
622	Evergrande Bay Luzhou	Luzhou	196,517	532,534	138,604.86	404,819	100.0%
623	Evergrande City Luzhou	Luzhou	189,002	567,006	123,821.924	170,408	100.0%
624	Evergrande Emerald Bay Luzhou	Luzhou	60,723	242,874	—	—	100.0%
625	Evergrande Top Mansion Meishan	Meishan	83,846	167,692	—	—	100.0%
626	Evergrande Emerald Court Mianyang	Mianyang	119,126	206,197	108,760	97,437	首期52.64%； 二期100.0%
627	Evergrande Emerald Bay Mianyang	Mianyang	70,986	212,958	—	—	100.0%
628	Evergrande City Nanchong	Nanchong	51,362	173,364	128,633.89	44,730	100.0%
629	Evergrande Yue Long Mansion Nanchong	Nanchong	262,231	451,835	67,290	268,219	100.0%
630	Evergrande Fengya Court Nanchong	Nanchong	96,042	208,051	—	208,051	100.0%
631	Evergrande Coronation Nanchong	Nanchong	87,985	105,582	—	—	100.0%
632	Evergrande Left Riverfront Nanchong	Nanchong	160,030	480,090	—	159,661	100.0%
633	Evergrande Royal Summit Nanchong	Nanchong	104,529	209,058	—	—	100.0%
634	Evergrande City Panzhihua	Panzhihua	186,850	503,645	157,796.68	268,850	100.0%
635	Evergrande City Ziyang	Ziyang	127,720	407,602	297,938.196	109,664	100.0%
636	Evergrande Metropolis Ziyang	Ziyang	64,510	250,921	101,886.66	149,034	100.0%
637	Evergrande Oasis Zigong	Zigong	217,008	722,085	553,254.03	168,831	100.0%
638	Evergrande Metropolis Zigong	Zigong	95,594	325,433	227,497.53	97,935	100.0%
639	Evergrande Future City Zigong	Zigong	141,267	353,168	—	—	100.0%
640	Evergrande Royal Lake Manor Xichong	Xichong	157,599	307,318	—	—	100.0%
641	Evergrande Jincheng Neijiang	Neijiang	134,826	337,065	—	—	100.0%
642	Evergrande Metropolis Yibin	Yibin	83,531	167,062	—	—	100.0%
643	Evergrande Yellow River Ecological City Dongying	Dongying	589,133	1,220,731	911,543.1	41,532	100.0%
644	Evergrande Palm Islands Dongying	Dongying	373,637	445,576	219,996.61	182,309	100.0%
645	Evergrande Metropolis Jining	Jining	264,016	813,380	681,604.59	51,627	60.0%
646	Evergrande Splendor Laiwu	Laiwu	1,068,026	1,149,229	334,168.89	314,349	100.0%
647	Evergrande Metropolis Laiwu	Laiwu	119,382	310,393	—	—	100.0%
648	Evergrande Palace Linyi	Linyi	158,223	841,685	584,109.84	102,993	100.0%
649	Evergrande Oasis Linyi	Linyi	308,140	907,404	386,407.31	56,871	51.0%
650	Evergrande Emerald Court Linyi	Linyi	149,228	447,684	239,600	169,627	60.0%
651	Evergrande Central Square Linyi	Linyi	105,031	504,149	93,479.5	46,492	80.0%
652	Evergrande City Tai'an	Tai'an	178,459	518,026	467,931.64	50,094	100.0%
653	Evergrande Royal Seaview Garden Weihai	Weihai	393,519	865,815	343,760	466,556	60.0%
654	Evergrande Royal Seaview Garden Weihai	Weihai	76,298	217,886	—	170,747	100.0%
655	Evergrande Ocean Peninsula Weihai	Weihai	195,631	469,514	—	144,853	90.0%
656	Laiyang Dingzi Bay Project	Yantai	6,489,166	12,329,415	—	—	90.0%
657	Evergrande Royal View Garden Zibo	Zibo	136,534	579,547	304,062.28	81,017	100.0%
658	Evergrande Emerald Court Zibo	Zibo	68,051	274,620	57,817.42	164,231	55.0%
659	Evergrande ZhengCheng Family Project Zibo	Zibo	372,320	761,238	210,980.74	189,229	60.0%
660	Evergrande Royal Summit Heze	Heze	57,490	126,478	—	—	100.0%
661	Evergrande Oasis Datong	Datong	194,483	709,144	593,624.422	115,520	100.0%
662	Evergrande Top Mansion Datong	Datong	148,747	371,868	—	—	100.0%
663	Evergrande Emerald Court Datong	Datong	88,120	185,000	—	—	100.0%
664	Evergrande Palace Jinzhong	Jinzhong	98,809	354,894	—	354,894	100.0%
665	Evergrande Palace Linfen	Linfen	134,264	411,400	384,379.91	27,020	95.0%
666	Evergrande Yue Long Mansion Linfen	Linfen	89,868	337,638	—	317,971	55.0%
667	Evergrande Royal Scenic Lvliang	Lvliang	138,739	488,834	484,564.8	4,269	100.0%
668	Evergrande Royal Palace Lvliang	Lvliang	69,341	263,496	—	—	80.0%
669	Evergrande Royal View Garden Yangquan	Yangquan	252,225	620,865	158,087.01	242,234	一期64.0%， 二期75.0%
670	Evergrande Oasis Yuncheng	Yuncheng	174,738	643,480	562,276.64	78,423	100.0%
671	Evergrande Metropolis Yuncheng	Yuncheng	79,464	410,905	179,308.5	228,479	71.0%
672	Evergrande Palace Xinzhou	Xinzhou	108,700	326,099	—	—	51.0%



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673	Evergrande Royal Scenic Peninsula Ankang	Ankang	127,940	533,542	18,800	417,450	100.0%
674	Evergrande Future City Ankang	Ankang	214,935	429,870	—	—	100.0%
675	Evergrande Royal Scenic Bay Baoji	Baoji	61,023	278,224	52,056	226,168	100.0%
676	Evergrande City Hanzhong	Hanzhong	91,545	255,078	236,354.81	18,724	100.0%
677	Evergrande Royal View Garden Hanzhong	Hanzhong	67,280	226,106	127,812	98,294	100.0%
678	Evergrande Royal Scenic Bay Hanzhong	Hanzhong	146,407	322,100	—	—	100.0%
679	Evergrande Yue Long Bay Hanzhong	Hanzhong	137,959	248,326	—	—	80.0%
680	Evergrande Jewelry Palace Weinan	Weinan	148,526	371,315	6,700	198,097	100.0%
681	Evergrande City Yangling	Xianyang	130,248	552,328	448,017.97	104,310	100.0%
682	Evergrande Royal View Garden Xianyang	Xianyang	109,053	425,306	143,613	151,579	100.0%
683	Evergrande Royal Scenic Peninsula Hancheng	Weinan	134,009	335,023	—	—	100.0%
684	Evergrande Emerald Court Ganzhou	Ganzhou	80,181	263,775	195,428.42	68,347	100.0%
685	Evergrande Metropolis Ganzhou	Ganzhou	110,741	413,728	295,851.03	117,877	51.0%
686	Evergrande Royal Garden Ganzhou	Ganzhou	91,917	282,700	206,922.32	75,778	100.0%
687	Evergrande Royal Palace Ganzhou	Ganzhou	39,657	127,557	81,951.98	43,889	100.0%
688	Evergrande Top Mansion Ganzhou	Ganzhou	53,864	152,123	—	150,569	60.0%
689	Evergrande Yue Long Mansion Ganzhou	Ganzhou	121,730	298,239	—	—	60.0%
690	Evergrande Bay Ganzhou	Ganzhou	134,777	323,465	—	—	100.0%
691	Evergrande Royal Scenic Hanzhou	Ganzhou	77,588	274,922	—	274,922	51.0%
692	Evergrande City Hanzhou	Ganzhou	153,875	369,300	—	201,341	69.0%
693	Evergrande Royal View Garden Ji'an	Ji'an	244,219	837,721	551,161.66	286,560	100.0%
694	Evergrande Royal Scenic Peninsula Ji'an	Ji'an	147,000	420,507	170,286.4	250,220	100.0%
695	Evergrande Royal Scenic Bay Jingdezhen	Jingdezhen	184,231	479,472	345,407.16	50,413	100.0%
696	Evergrande Royal Scenic Jiujiang	Jiujiang	70,144	299,019	242,256.29	56,763	100.0%
697	Evergrande Bay Jiujiang	Jiujiang	173,389	421,030	189,932.92	53,272	54.6%
698	Evergrande Royal Palace Pingxiang	Pingxiang	163,657	363,648	149,272	61,320	100.0%
699	Evergrande Metropolis Shangrao	Shangrao	175,110	556,104	351,090.27	205,014	100.0%
700	Evergrande Atrium Xinyu	Xinyu	203,734	613,134	311,240.49	54,854	100.0%
701	Evergrande City Xinyu	Xinyu	113,168	339,466	311,774.82	27,691	100.0%
702	Evergrande Oasis Yichun	Yichun	380,088	889,887	487,621.9296	379,769	100.0%
703	Evergrande Royal Scenic Yichun	Yichun	77,039	310,088	20,850	275,912	70.0%
704	Evergrande Oasis Yingtan	Yingtan	317,121	1,020,768	864,263.59	156,504	100.0%
705	Evergrande Royal Scenic Yingtan	Yingtan	96,706	228,916	159,673	69,243	100.0%
706	Evergrande Oasis Anqing	Anqing	212,755	781,588	571,861.33	208,683	100.0%
707	Evergrande Unique One Project Anqing	Anqing	164,970	461,916	190,229	228,716	100.0%
708	Evergrande Emerald Court Bengbu	Bengbu	151,411	429,478	419,201.56	10,277	100.0%
709	Evergrande Left Bank Riverfront Bengbu	Bengbu	134,921	260,969	—	238,586	100.0%
710	Evergrande City Bozhou	Bozhou	216,102	779,405	644,864.68	134,540	100.0%
711	Evergrande Emerald Court Bozhou	Bozhou	140,406	454,219	312,325.22	141,893	100.0%
712	Evergrande Royal Scenic Bozhou	Bozhou	78,480	219,743	—	—	70.0%
713	Evergrande Royal View Garden Chuzhou	Chuzhou	134,869	352,278	128,466	223,812	88.0%
714	Evergrande Oasis Fuyang	Fuyang	183,152	587,656	454,569.72	133,086	70.0%
715	Evergrande Royal Scenic Fuyang	Fuyang	137,227	333,035	149,637	183,398	60.0%
716	Evergrande Forest Creek County Fuyang	Fuyang	96,205	277,769	—	277,770	100.0%
717	Evergrande Metropolis Huaibei	Huaibei	289,640	1,012,672	988,671.72	24,000	100.0%
718	Evergrande Atrium Huaibei	Huaibei	106,136	498,783	457,541.78	41,242	100.0%
719	Evergrande Royal Scenic Bay Huaibei	Huaibei	100,081	261,512	122,706.68	138,806	100.0%
720	Evergrande Oasis Huainan	Huainan	272,662	588,682	559,356.79	29,325	60.0%
721	Evergrande Left Riverside Huangshan	Huangshan	98,053	223,712	167,458	55,005	100.0%
722	Evergrande Top Mansion Huangshan	Huangshan	128,299	295,696	—	295,696	100.0%
723	Evergrande Royal Scenic Bay Liuan	Liu'an	604,016	1,610,469	1,292,921.15	29,292	100.0%
724	Evergrande Royal Lake Manor Liuan	Liu'an	175,741	351,482	—	—	100.0%
725	Evergrande Oasis Maanshan	Ma'anshan	82,360	205,459	138,952	64,902	100.0%
726	Evergrande Oasis Tongling	Tongling	291,274	1,083,613	775,104.13	299,616	100.0%
727	Evergrande Royal Palace Wuhu	Wuzhou	188,291	451,898	138,429	147,920	100.0%
728	Evergrande Royal Scenic Bay Suzhou	Suzhou	178,090	675,953	518,317.61	157,635	100.0%
729	Evergrande Metropolis Suzhou	Suzhou	162,473	654,422	405,405.87	73,661	65.0%
730	Evergrande Royal City Project Xuancheng	Xuancheng	120,786	382,367	179,668.5	134,293	100.0%
731	Evergrande Oasis Longyan	Longyan	129,010	348,321	169,859.9	72,244	100.0%



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732	Evergrande Future City Longyan	Longyan	84,194	210,485	—	—	100.0%
733	Evergrande Royal Scenic Nanping	Nanping	112,002	295,881	198,915.36	96,965	100.0%
734	Evergrande Scenic Garden Wuyishan	Nanping	99,694	44,862	32,385.11	—	100.0%
735	Evergrande Royal Scenic Peninsula Ningde	Ningde	109,511	323,836	289,477.73	34,358	100.0%
736	Evergrande Future City Fuding	Ningde	184,803	468,118	—	—	100.0%
737	Evergrande Royal Scenic Peninsula Putian	Putian	370,400	735,713	450,843.98	230,949	51.0%
738	Evergrande Royal Palace Sanming	Sanming	191,389	361,901	97,558.25	226,128	51.0%
739	Evergrande Royal Scenic Peninsula Zhangzhou	Zhangzhou	68,224	256,561	127,938.12	72,132	100.0%
740	Evergrande Royal View Garden Zhangzhou	Zhangzhou	41,055	167,595	—	167,595	100.0%
741	Evergrande Royal Scenic Peninsula Dongshan P.2.	Zhangzhou	162,382	324,765	—	—	100.0%
742	Evergrande Billow Bay Liancheng	Longyan	82,974	132,759	—	—	100.0%
743	Evergrande Royal Scenic Bay Nanan	Quanzhou	108,878	251,300	—	45,714	100.0%
744	Evergrande Metropolis Shaowu	Nanping	73,824	191,942	—	—	100.0%
745	Evergrande Forest Creek County Yongchun	Quanzhou	107,516	221,330	—	—	100.0%
746	Evergrande Emerald Court Yongan	Sanming	67,095	147,609	—	15,424	100.0%
747	Evergrande Creek Mansion Jianou	Nanping	37,863	63,231	—	—	100.0%
748	Evergrande Royal Scenic Peninsula Beihai	Beihai	378,459	909,164	551,010.5	203,952	100.0%
749	Evergrande Metropolis Beihai	Beihai	130,525	551,148	453,818.08	97,330	100.0%
750	Evergrande Royal Seaview Garden Beihai	Beihai	201,594	418,870	230,491.87	132,774	100.0%
751	Evergrande Atrium Beihai	Beihai	101,363	304,088	148,802.11	82,608	90.0%
752	Evergrande Royal Scenic Bay Fangchenggang	Fangchenggang	115,327	402,789	343,118.07	59,671	100.0%
753	Evergrande City Fangchenggang	Fangchenggang	94,778	236,945	—	217,959	100.0%
754	Evergrande Royal Scenic Peninsula Fangchenggang	Fangchenggang	185,602	390,558	—	—	100.0%
755	Evergrande City Guigang	Guigang	102,442	334,045	158,919	172,721	55.0%
756	Evergrande Plaza Guilin	Guilin	94,908	439,550	333,825.28	105,724	51.0%
757	Evergrande Bay Guilin	Guilin	67,304	175,090	131,573.23	43,517	100.0%
758	Evergrande City Guilin	Guilin	174,093	574,507	177,455.01	272,921	90.0%
759	Evergrande Emerald Court Liuzhou	Liuzhou	92,593	373,041	306,211.76	66,830	100.0%
760	Evergrande City Liuzhou	Liuzhou	168,917	586,775	399,633.555	120,584	100.0%
761	Evergrande Palace Liuzhou	Liuzhou	213,110	501,269	283,919.6	183,450	100.0%
762	Evergrande Palace Liuzhou	Liuzhou	132,394	824,263	344,318.1	147,239	100.0%
763	Evergrande Atrium Liuzhou	Liuzhou	150,045	750,223	187,174.73	—	100.0%
764	Evergrande Royal Scenic Bay Liuzhou	Liuzhou	153,984	415,756	218,039.56	92,891	85.0%
765	Evergrande Jewelry Palace Liuzhou	Liuzhou	86,174	193,311	—	—	100.0%
766	Evergrande Oasis Qinzhou	Qinzhou	202,979	710,425	522,729.94	90,235	100.0%
767	Evergrande Royal Scenic Peninsula Qinzhou	Qinzhou	89,070	412,791	152,853.67	230,713	55.0%
768	Evergrande Scholastic Mansion	Qinzhou	78,174	273,610	93,082	131,649	55.0%
769	Evergrande Scenic Garden Wuzhou	Wuzhou	138,991	180,688	101,953.94	30,646	60.0%
770	Evergrande Oasis Wuzhou	Wuzhou	205,452	531,803	—	232,967	100.0%
771	Evergrande City Yulin	Yulin	95,477	461,938	183,315.09	278,623	60.0%
772	Evergrande Royal Scenic Yulin	Yulin	41,668	217,426	—	217,426	100.0%
773	Evergrande Yue Long Tai Yulin	Yulin	128,441	359,636	—	—	99.0%
774	Evergrande City Kaili	Qindongnan Miaozi Autonomous Prefecture	367,407	797,274	229,497.01	238,162	100.0%
775	Evergrande City Zunyi	Zunyi	540,573	1,146,015	483,534.12	18,545	51.0%
776	Evergrande Emerald Court Zunyi	Zunyi	192,217	422,877	14,620	177,210	70.0%
777	Evergrande Left Riverfront Xingyi	Qinxinan Buyizu Miaozi Autonomous Prefecture	215,712	571,497	—	—	100.0%
778	Evergrande Yuelan Mountain Xingyi	Qinxinan Buyizu Miaozi Autonomous Prefecture	520,882	1,064,808	—	—	100.0%

No.	Project	Location	Site area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	GFA (m <sup>2</sup> )		Attributable equity interest (%)
					Completed properties (m <sup>2</sup> )	Properties under development and held for future development (m <sup>2</sup> )	
779	Dujung Mountain City Shantytown Project	Qinxinan Buyizu Miaozu Autonomous Prefecture	47,180	132,105	—	—	70.0%
780	Evergrande Palace Jilin	Jilin	127,455	294,042	206,134.67	84,497	100.0%
781	Evergrande Left Riverside Jilin	Jilin	69,714	174,286	91,749	17,637	100.0%
782	Evergrande Wooden project Jilin	Jilin	106,344	362,000	—	—	100.0%
783	Evergrande Capital Palace Siping	Siping	154,461	308,900	73,696	71,476	100.0%
784	Evergrande Royal Scenic Bay Songyuan	Songyuan	222,933	445,867	256,052.7	30,313	100.0%
785	Evergrande Oasis Benxi	Benxi	111,400	334,200	288,025.12	12,537	100.0%
786	Evergrande Oasis Anshan	Anshan	352,910	1,411,640	332,848.18	109,604	53.1%
787	Evergrande Metropolis Anshan	Anshan	201,391	733,420	307,425.38	421,360	100.0%
788	Evergrande Palace Fushun	Fushun	204,709	716,482	441,902.78	5,534	100.0%
789	Evergrande Plaza Fushun	Fushun	84,199	694,385	140,034.42	20,435	100.0%
790	Evergrande Royal Scenic Bay Huludao	Huludao	171,887	645,122	346,293.48	222,068	100.0%
791	Evergrande Oasis Liaoyang	Liaoyang	353,259	1,024,451	602,329.23	176,119	100.0%
792	Evergrande Palace Panjin	Panjin	301,934	1,056,725	452,970.49	21,090	100.0%
793	Evergrande Riverside Panjin	Panjin	488,750	885,365	—	—	83.3%
794	Evergrande Oasis Yingkou	Yingkou	281,687	985,905	542,930.32	190,912	100.0%
795	Evergrande City Yingkou	Yingkou	126,428	386,219	120,462.92	265,756	100.0%
796	Evergrande Bay Yingkou	Yingkou	354,708	1,241,478	—	211,196	100.0%
797	Evergrande Royal Sea Yingkou	Yingkou	883,399	1,931,042	—	—	100.0%
798	Evergrande Creek Mansion Tieling	Tieling	292,126	246,250	—	115,841	100.0%
799	Evergrande Royal Lakeside Manor Daqing	Daqing	247,248	296,697	—	—	51.0%
800	Evergrande Oasis Mudanjiang	Mudanjiang	106,452	256,916	70,924.67	53,734	100.0%
801	Evergrande Emerald Court Tsitsihar	Qiqihaer	143,401	486,243	364,806.63	101,223	100.0%
802	Evergrande Metropolis Tsitsihar	Qiqihaer	182,052	572,116	532,823.41	39,292	100.0%
803	Evergrande Royal Scenic Tsitsihar	Qiqihaer	25,924	94,050	76,903.17	17,147	100.0%
804	Evergrande Qizi Bay Changjiang	Changjiang	419,692	294,104	205,287.77	58,048	100.0%
805	Evergrande Splendor Danzhou	Danzhou	566,394	746,926	662,840.71	84,085	100.0%
806	Hainan Ocean Flower Island	Danzhou	5,368,369	12,800,534	2,534,827.12	4,357,492	100.0%
807	Evergrande Oasis Wuwei	Wuwei	139,835	426,475	298,940.172	127,535	100.0%
808	Evergrande Shandan Road Project Zhangye	Zhangye	69,357	138,714	—	—	100.0%
809	Evergrande Metropolis Qujing	Qujing	190,963	274,842	244,056.89	21,500	100.0%
810	Evergrande Oasis Qujing	Qujing	176,713	546,087	150,497	393,549	100.0%
811	Evergrande Palace Baotou	Baotou	437,925	1,032,750	783,416.87	167,037	100.0%
812	Evergrande Metropolis Baotou	Baotou	188,005	621,808	483,756.83	138,051	100.0%
813	Evergrande Emerald Court Baotou	Baotou	129,612	259,224	112,134.36	40,508	55.0%
814	Evergrande City Tongliao	Tongliao	110,001	307,613	14,499.09	293,114	51.0%
815	Evergrande Top Mansion Tongliao	Tongliao	96,000	212,863	—	—	70.0%
816	Evergrande Oasis Wuhai	Wuhai	66,242	230,803	180,479.49	50,324	100.0%
817	Evergrande Oasis Ulanhot	Wulanhaote	286,893	717,233	194,829.65	53,938	100.0%
818	Evergrande Metropolis Ulanhabu	Wulanhabu	63,359	126,718	—	—	100.0%
819	Evergrande Oasis Shizuishan	Shizuishan	172,502	621,007	173,340.77	120,567	100.0%
820	Aiding Tibet Project Linzhi	Linzhi	131,001	71,266	—	59,987	100.0%
821	Evergrande Atrium Yining	Ili Kazakh Autonomous Prefecture	123,575	356,312	320,092.83	36,219	100.0%
822	Evergrande Oasis Yining	Ili Kazakh Autonomous Prefecture	160,203	396,106	247,887.83	16,464	100.0%
			<u>210,751,647</u>	<u>492,837,255</u>	<u>187,948,255</u>	<u>123,009,749</u>	

### ***Completed Properties***

For all of our completed projects, we have received the land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion.

### ***Properties Under Development and Held for Future Development***

For all of our property projects under development, we have received the land use rights certificates. With respect to “GFA with construction permits” or “GFA under construction,” we had obtained the relevant construction land planning permits, construction works planning permits and construction permits or governmental approval for early construction as of the date specified. Some of them had also received pre-sale permits. With respect to “GFA without construction permits,” we had yet to obtain some or all of the relevant construction land planning permits, construction works planning permits and construction permits as of the date specified. “GFA under development with pre-sale permits” means GFA with construction permits and pre-sale permits.

As of June 30, 2018, we had 822 property projects under development or held for future development with a total GFA of approximately 305 million sq.m.. As of June 30, 2018, 672 of our property projects under development or held for future development had construction permits with a total GFA of approximately 124.8 million sq.m..

### ***Product Series***

Over the years, we have developed and introduced various distinctive product series to the market, including:

- *Mid- to mid-high-end series* represented by products within our Evergrande Oasis (恒大綠洲) series, Evergrande Metropolis (恒大名都) series, Evergrande City (恒大城) series, Evergrande Atrium (恒大雅苑) series, Evergrande Royal Scenic Bay (恒大御景灣), Evergrande Emerald Court (恒大翡翠華庭) series, Evergrande Bay (恒大江灣) series, Evergrande Plaza (恒大廣場) series and Evergrande Bund (恒大外灘) series which we target to account for approximately 85% of our current projects, and are marketed toward middle to upper-middle income residents, who currently constitute the largest segment of residential real estate purchasers. Evergrande Metropolis and Evergrande City are urban residential complexes in major cities, while Evergrande Oasis and Evergrande Atrium are located in areas with the requisite natural landscape. These series are equipped with well-developed facilities and amenities within the complexes.
- *High-end series* represented by products within our Evergrande Palace (恒大華府) series, Evergrande Royal Scenic Peninsula (恒大御景半島) series, Evergrande Emperor Scenic (恒大帝景) series and Evergrande Royal Scenic (恒大御景) series, which we target to account for approximately 15% of our current projects, and are positioned as high-end and premium residential properties in urban centers. These series target high-income residents in such regions.
- We focus on developing large-scale cultural tourism projects catering tourists and vacation house owners, including but not limited to large-scale facilities targeting tourists and vacation house owners, such as man-made islands, beaches, recreation and shopping facilities, large-scale hotels, as well as large conference centers which are able to accommodate thousands of people. As of June 30, 2018, the total area of the land reserves for tourism projects was 47.14 million sq.m., with a total area under construction of 12.85 million sq.m.

We design and develop all of our product series under our standardized management and market them under the brand name of “Evergrande” on a nationwide basis. We also market products of these series under different project names.

Within our product series, we mainly develop five types of residential properties:

- villas, which are typically independent houses with one to three stories;
- semi-detached villas, which are typically two separate houses that share a common wall;
- townhouses, which are typically connected houses of more than two units;
- condominiums, which are typically low-rise residential buildings of four to 18 stories; and
- high-rise residential buildings, which are typically higher than 18 stories.

### ***Co-Developed Projects***

In recent years, we have entered into co-development arrangements with other property developers in which we share the cost of development of a project and sales proceeds from the sale and/or pre-sale of the properties in the development. We consider a number of criteria when evaluating whether to partner with a company for co-development of a project, including the company’s economic strength and property development experience, whether they have obtained all or part of the land use rights, whether the prospective project location is good, the risk profile of the prospective project and the potential for appreciation, whether the payment terms are favorable, and whether there are low capital requirements for the early stages of development. As of June 30, 2018, we had 131 co-developed projects across 22 provinces and autonomous regions in China, including Shandong, Hebei and Zhejiang. For more information about our co-developed projects, please see “— Project Overview.”

Our profit sharing arrangements generally correspond to our equity ownership in the project development company. The terms of our co-development vary but typically, we may: (i) provide the land use rights for a project and our co-developer would contribute to the development costs through capital injections into the project company or advances of land premium; or (ii) develop the project under our name and management.

We believe such co-development arrangements have helped us expand our nation-wide footprint, while lowering our development costs and investment risks associated with construction projects in new geographical regions. We may continue to enter into such co-development arrangements as suitable opportunities arise.

Since June 30, 2018, we have entered into new co-development arrangements with other property developers for more than 6 projects. Some major new co-development arrangements include Hengda Qingyun City in Taiyuan, Hengda Junting Project in Ulanqab, Yujing Peninsula in Nanyang, Hengda Huaifu in Shuozhou, Hengda Mingdu in Inner Mongolia and Yangguanying Project in Pingdingshan. Hengda Qingyun City occupies a total site area of approximately 61,191 sq.m. with an aggregate total GFA of approximately 250,000 sq.m.. Hengda Junting Project occupies a total site area of approximately 103,734 sq.m. with an aggregate total GFA of approximately 311,202 sq.m.. Yujing Peninsula occupies a total site area of approximately 274,667 sq.m. with an aggregate total GFA of approximately 604,267 sq.m.. Hengda Huaifu occupies a total site area of approximately 139,651 sq.m. with an aggregate total GFA of approximately 349,127 sq.m.. Hengda Mingdu occupies a total site area of approximately 160,333 sq.m. with an aggregate total GFA of approximately 351,000 sq.m.. Yangguanying Project occupies a total site area of approximately 147,864 sq.m. with an aggregate total GFA of approximately 221,800 sq.m.. We hold a 60% equity interest in Hengda Qingyun City, 70% equity interest in Hengda Junting Project, 60% equity interest in Yujing Peninsula, 51% equity interest in Hengda Huaifu, 60% equity interest in Hengda Mingdu and 65% equity interest in Yangguanying.

## Investment Properties

Along with our residential property projects, we also develop office buildings, commercial properties, retail shop units and carpark spaces as part of our residential complexes for leasing. As we intend to hold these properties for long-term investment purposes, they are treated as investment properties. As of June 30, 2018, these investment properties included 8.43 million sq.m. of total GFA for commercial spaces and about 408,000 car parking spaces. Some of our retail shop units and carpark spaces are, or may be, located in large, multiple-use complexes. We may choose to sell the retail shop units when we believe that sales would generate a better return on our investment than through rental and capital appreciation. In the years ended December 31, 2015, 2016, 2017 and the six months ended 2018, our rental income from investment properties amounted to RMB241 million, RMB647 million, RMB811 million (US\$123 million) and RMB465 million (US\$70 million), respectively. The increase is partly due to increased occupancy of our residential complexes.

Province	Location	Total attributable leasable GFA (m <sup>2</sup> )		No. of Carparks	
		Completed	Under Development	Completed	Under Development
Anhui Province	Anqing, Bengbu, Bozhou, Chaoahu, Chuzhou, Feidong, Fuyang, Hefei, Huaibei, Huainan, Liu'an, Ma'anshan, Tongling, Wuhu, Suzhou	306,261	472,277	33,145	4,302
Beijing City	Beijing	62,711	12,276	—	—
Fujian Province	Quanzhou, Xiamen, Shishi	18,419	2,200	296	969
Gansu Province	Lanzhou, Shizuishan, Wuzhong, Wuwei, Yinchuan	60,877	34,228	11,472	299
Guangdong Province	Chaozhou, Dongguan, Enping, Foshan, Guangzhou, Heyuan, Huiyang, Meizhou, Qingyuan, Shaoguan, Shenzhen, Yangjiang, Yunfu, Zhanjiang, Zhongshan	192,414	157,712	44,592	3,024
Guangxi Province	Beihai, Fangcheng District, Guilin, Liuzhou, Nanning, Qinzhou	195,210	378,241	3,926	4,882
Guizhou Province	Guiyang, Kaili, Zunyi	572,435	—	15,591	—
Hainan Province	Changjiang, Chengmai, Danzhou, Haikou, Sanya	11,061	70,524	7,240	—
Hebei Province	Cangzhou, Handan, Hengshui, Langfang, Qinhuangdao, Shijiazhuang, Tangshan, Xingtai	243,417	147,038	6,774	2,992
Henan Province	Anyang, Luoyang, Luohe, Nanyang, Pingdingshan, Shangqiu, Xinxiang, Xinyang, Xuchang, Zhengzhou, Zhumadian	164,209	64,266	15,333	1,430
Heilongjiang Province	Daqing, Harbin, Mudanjiang, Qiqiha'er	144,827	14,041	5,281	—
Hubei Province	Ezhou, Wuhan, Xiangyang, Yichang	247,947	1,833	12,535	3,455
Hunan Province	Changde, Chenzhou, Hengyang, Huaihua, Liuyang, Xiangtan, Yiyang, Yueyang, Changsha	120,002	—	28,114	—

Province	Location	Total attributable leasable GFA (m <sup>2</sup> )		No. of Carparks	
		Completed	Under Development	Completed	Under Development
Jilin Province	Jilin, Songyuan, Changchun	160,266	11,092	4,533	—
Jiangsu Province	Changzhou, Danyang, Huai'an, Jiaxing, Jiangyin, Lianyungang, Nanjing, Qidong, Suzhou, Wuxi, Suqian, Yancheng, Yangzhou, Yixing, Zhangjiagang, Zhenjiang	402,092	81,044	24,413	—
Jiangxi Province	Ganzhou, Ji'an, Jingdezhen, Nanchang, Xiyu, Yingtan	206,093	4,441	20,716	—
Liangning Province	Anshan, Benxi, Dalian, Wushun, Huludao, Liaoyang, Panjin, Shenyang, Yingkou	774,453	225,727	8,923	2,922
Inner Mongolia Autonomous Region	Baotou, Hohhot, Wuhai, Ulanhot	47,336	—	7,704	—
Qinghai Province	Xining	2,904	—	422	—
Shandong Province	Dongying, Jinan, Jining, Laiwu, Linyi, Tai'an, Weifang, Zibo	330,064	186,373	16,501	—
Shanxi Province	Datong, Linfen, Lvliang, Taiyuan, Yangquan, Yuncheng	104,371	17,717	11,625	2,288
Shaanxi Province	Yangling, Hanzhong, Xi'an	37,670	9,045	9,007	—
Shanghai	Shanghai	31,228	—	—	—
Sichuan Province	Chengdu, Luzhou, Nanchong, Panzhuhua, Qionglai, Ziyang, Zigong	562,655	196,591	38,126	1,523
Tianjin City	Tianjin	37,921	—	7,420	—
Hong Kong	Hong Kong	350,440	—	—	—
Xinjiang Province	Wujiaqu, Yining	35,804	—	978	—
Yunnan Province	Kunming, Qujing	12,925	74,892	2,867	2,851
Zhejiang Province	Chongfu, Haiyan, Hangzhou, Huzhou, Jiaxing, Jiaye, Ningbo, Pinghu, Quzhou, Tangqizhen, Tonglu, Wenling, Zhuji	358,109	42,000	6,095	—
Chongqing City	Chongqing	400,331	35,713	32,982	—
<b>Total</b>		<b>6,194,450</b>	<b>2,239,271</b>	<b>376,611</b>	<b>30,937</b>

## Property Development

Our business operations are based on our industry-leading standardized operational model for quality real estate development. Our standard operational procedures cover all aspect of our project development process.

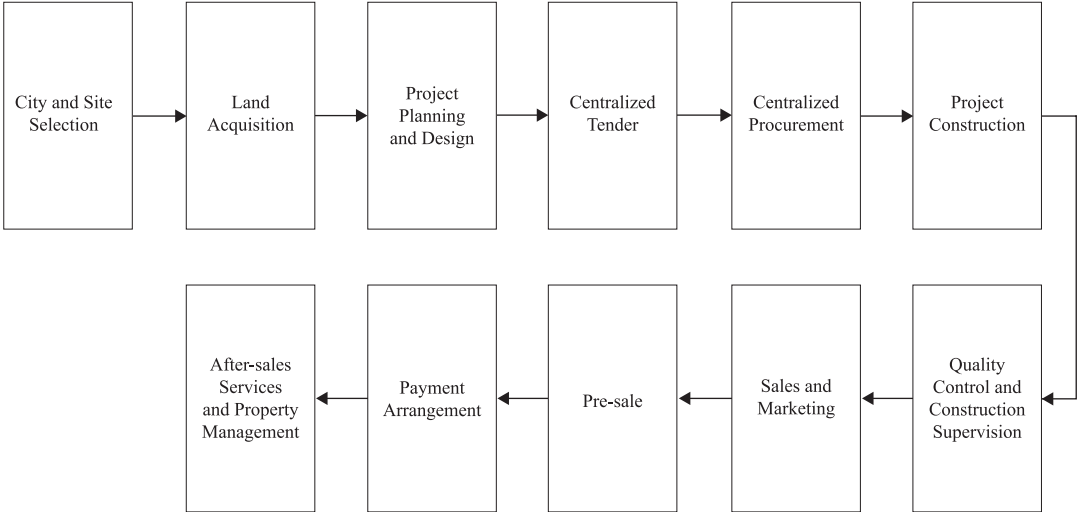
We believe our standardized approach to property development has enabled us to rapidly replicate our success in our home base in Guangzhou to other key provincial capitals and surrounding areas in China, to ensure consistent product quality at the same time.



The residential properties we develop are primarily composed of four major standard product series. We have also developed a standard for high-end ancillary facilities, a standard for gardening and landscaping, and a construction standard according to different product series. We develop a diversified portfolio of properties, including low-density residential buildings, multi-story residential buildings, and mid-rise and high-rise residential buildings, to cater to individual needs of different buyers. We generally favor large-scale and extra-large scale projects because our standardized operational model tends to work more effectively and efficiently with them, as they allow the appropriate economies of scale to maximize the upside potential of property development.

**Project Development and Management Procedures**

We maintain a systematic development approach although each project is designed to cater to the specific target market. Our property development and management procedures are summarized as below:



***City and Site Selection***

We screen cities and sites in China following a standardized process in order to identify opportunities suitable for our development. The primary criteria in our project site evaluation include the following:

- location in cities that we believe have high-growth potential;
- generally not less than 20,000 sq.m. in GFA for projects in first-tier and second-tier cities and not less than 300,000 sq.m. in GFA for projects in third-tier cities;
- beautiful surrounding environment, with established supporting infrastructure, convenient transportation system and appropriate value appreciation potential;
- minimal or no demolition and resettlement costs, allowing commencement of development soon after the acquisition of the land; and
- appropriate cost and attractive financial return.

## *Land Acquisition*

According to current PRC laws and regulations, state-owned land use rights for property development must be granted by the relevant governmental authorities via public tender, auction and listing-for-sale. Land reserves may also be acquired in the secondary market through acquisition of the equity interests of companies that possess the land use rights. We acquire land use rights either by bidding directly at auctions organized by the relevant government authorities or through acquiring companies that hold land use rights.

As a property developer targeting middle to upper-middle income customers, we believe that acquiring land at competitive prices is critical to our overall development strategy. The ability to identify potentially undervalued land reserves and the effective execution of our land acquisition strategy are our important strengths. Based on our current development and growth targets, we expect to maintain sufficient land reserves to fulfill our development requirements for the next five to eight years on a rolling basis. As of June 30, 2018, we had approximately 305 million sq.m. of GFA under development and held for future development. In accordance with our national strategic plan, we will continue to optimize the location of our residential properties. We will focus more on the development of projects in central urban areas in first- and second-tier cities and prime locations in third-tier cities to maintain stable land reserves and achieve a balanced national development distribution.

As of the date of this offering memorandum, we have not commenced the construction work as required by the relevant original land grant contracts with respect to a number of projects that we have acquired. However, we do not expect such land parcels to be subject to idle land fees or forfeiture primarily for the following reasons:

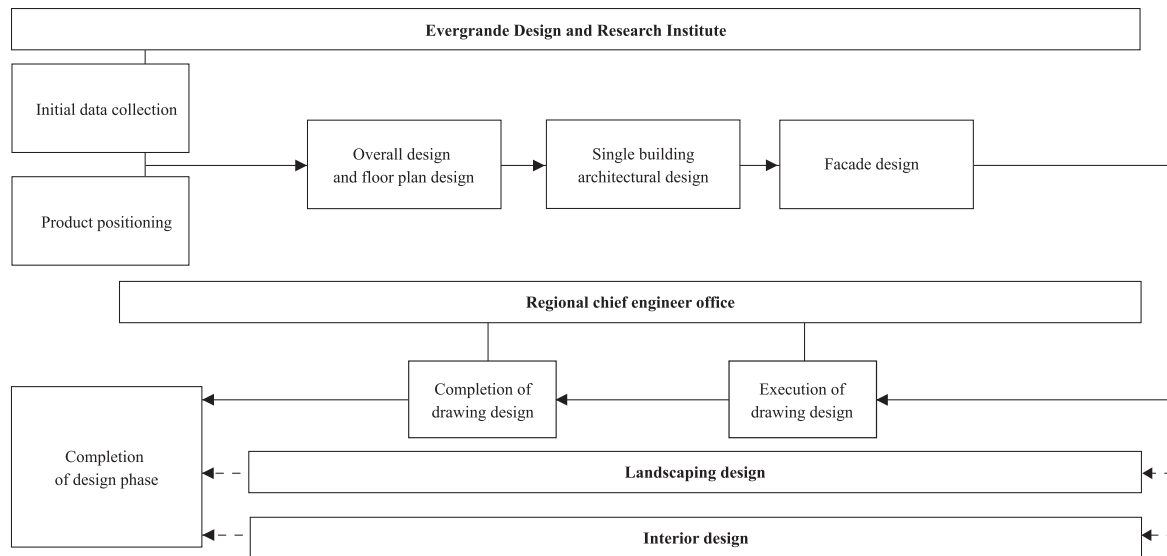
- the relevant local authorities' failure to deliver certain land to us due to their on-going re-zoning plans;
- our entry into supplementary agreements with the relevant local authorities to extend the commencement of the construction; and/or
- demolition of certain land has not been completed on the part of the government, preventing the construction from commencing on such land.

As of the date of this offering memorandum, we have not been required to pay any idle land fee or forfeit any land as a result of noncompliance with the relevant PRC laws and regulations. Although we cannot assure you that circumstances leading to forfeiture or significant delays in our development schedules will not arise in the future, we do not expect that any of our current land reserves will be subject to forfeiture based on our current development plans.

To ensure timely payment of land premiums and efficient execution of our property development, we have adopted internal control procedures to monitor and manage our land acquisitions and related financing. Our legal department has authority to perform due diligence investigations into our land acquisitions and our finance department is responsible for the feasibility analysis and funding sufficiency. Both departments report their findings and issues to our senior management. We also require our regional offices to strictly adhere to the schedules with respect to application for land use right certificates, construction land planning permits, construction work planning permits and construction permits in compliance with the PRC laws and regulations. We closely monitor the land acquisition and project development process. In the event that we experience delays in payment of land premiums or construction schedules we will seek immediate rectification, including application for an extension from the relevant government authorities as well as negotiation and entry into supplementary agreements. In addition, as part of our standardized operational model, we endeavor to train our staff at, and coordinate the proceedings in, our bidding and tendering department, development department and engineering department to ensure a timely property development in compliance with the PRC laws and regulations.

## ***Project Planning and Design***

We have strong in-house design capabilities. Evergrande Design and Research Institute, our in-house design subsidiary, is a nationally accredited architectural design firm composed of over 380 professionals as of June 30, 2018. Our design team works closely with our project managers and marketing team in master-planning and in detailed two-dimensional and three-dimensional architectural designs. Our design team also collaborates with reputable domestic and international design houses in formulating, developing and finalizing the landscape and interior design for our projects. Our senior management is actively involved in the entire planning and design process, especially in the master-planning and architectural design of our projects. Our design process is summarized as below:



Based on our previous successful experiences, our professional R&D team has designed over 20 standard series of products. We also conduct detailed market research and analysis on the products placed by other major developers into the market. We endeavor to tailor-make and ensure highest construction, gardening, landscaping, and decoration quality in our different product series. We will continue to adopt creative architectural planning and innovative designs with a view to making our products distinctive from other offerings in the market.

In our efforts to integrate quality with distinctive designs for our properties, we have also retained renowned design houses to optimize our architectural design in various aspects. As we seek to standardize the designs of our product series and customize our mature series, we will continue to introduce new series in accordance with market demands and preferences. As an important part of our project planning and design process, we work closely with external landscape and interior designers to maximize the esthetic appeal and eco-value of our properties. In addition to distinctive design features, we also seek to distinguish our property developments by offering additional value-added functions.

We have received numerous awards in recognition of our achievement in various areas of our project designs and floor plans, including the following:

- our construction company has obtained the China Premium Qualification as a general housing construction contractor, which allows us to develop land with a total GFA of over 200,000 sq.m. and top qualifications as a general municipal public works construction contractor to perform construction, municipal engineering, decoration and landscaping of historical style buildings, which allows us to vertically integrate the construction process; and

- Evergrande Group Project Management Ltd. has obtained the China Grade A Engineering Supervision qualification, which is the highest level of engineering supervision qualification recognized in China.

### ***Centralized Tender***

We organize tenders, and invite primarily first-rate construction companies in China to participate in the bidding, for interior decoration, gardening and landscaping and other construction work to ensure that we get high-quality construction service at competitive prices. We have centralized and standardized our tender process as a part of our standard operational procedures. We outsource substantially all of our project construction work to independent contractors. We have also acquired a nationally accredited construction company to undertake some of our project construction. We also maintain strict quality control measures throughout our development chain and partner with renowned international and national service and product providers to ensure the quality of our products. Vendors and suppliers we generally partner with in our projects include:

<u>Services or products</u>	<u>Suppliers or vendors</u>
Overall project planning/design .	China Architecture Design Group, Shenzhen General Institute of Architectural Design and Research  The Architectural Design and Research Institute of Guangdong Province
Project construction . . . . .	China State Construction Engineering Corporation Ltd.  Zhong-Tie Construction Group Corporation Limited
Interior design and decoration . .	Suzhou Gold Mantis Construction & Decoration Co., Ltd.  Shenzhen Grandland Decoration & Construction Co., Ltd.
Elevators . . . . .	OTIS, Hitachi and Mitsubishi
Power box . . . . .	Schneider Electric, Panasonic, TCL Legrand and SIEMENS
Kitchen electric appliances . . . .	Rinnai, ROBAM, Vatti, Haier, Electrolux, Whirlpool and SIEMENS
Bathroom fixtures . . . . .	TOTO, KOHLER and Roca
Power sockets . . . . .	Panasonic, SIEMENS and Legrand
Plumbing fixtures . . . . .	MOEN, American Standard and Roca
Paint . . . . .	NIPPON PAINT
Surveillance systems . . . . .	Samsung, Panasonic, SONY and Hikvision

### ***Centralized Procurement***

We have signed long-term procurement agreements with reputable service and product suppliers in China and overseas and we have also established a unified national distribution system. The procurement departments in our regional offices are managed directly by our headquarters. Our regional procurement departments submit their procurement plans of material and equipment to our headquarters on a monthly basis. We require that the difference between the actual monthly purchased quantities and the procurement plans should not exceed 10% under normal circumstances. Through such requirements, we endeavor to minimize our overall purchasing costs without compromising our quality requirement.

Our centralized procurement system plays an essential role in helping us achieve economies of scale and favorable commercial terms, and in promoting our long-term partnership with quality suppliers. We have established a rigorous screening and bidding process to select our suppliers. We mainly consider first-rate national suppliers during our screening process, from which we select three to five suppliers in each category to form our pre-qualified vendor pool. Pre-qualified suppliers are invited to submit bids based on our product specifications and requirements. All submitted bids are reviewed and evaluated by our bidding and tendering committee, which consists of members from our senior management, procurement departments and design team. The bidding and tendering committee determines the winner based on a set of standards described in our bid-solicitation documents, such as product quality, price, supply lead time, financial strength, reputation and after-sales services. Our objective in this centralized procurement system is to obtain the required quality products and services at the best prices. Certain key construction materials and services, such as aluminum alloy materials, hardwood floor panels and site preparation, are partly provided by our subsidiaries.

Since 2006, all our construction material procurement contracts are tri-partite arrangements among us, suppliers and construction contractors. Such arrangements require suppliers to deliver their supplies directly to our regional procurement departments, which then distribute them to our construction contractors. We will effect payments to suppliers on a monthly basis by deducting such payments directly from our fees payable to the construction contractors. These arrangements not only ensure the quality of materials and equipment used in our projects but also relieve the concerns of our suppliers over potential late payment or lack of accountability on the part of construction contractors. Through our large-volume and centralized procurement arrangements, we are able to form long-term strategic partnerships with top suppliers in China and overseas to provide us, and indirectly our customers, with premium products at competitive costs. For example, we source our elevators primarily from OTIS and Shanghai Mitsubishi; power switches from SIEMENS; electrical appliances from Panasonic, Samsung and SIEMENS; kitchen electric appliances from Rinnai; bathroom fixtures from TOTO and KOHLER; switch boards from Panasonic, air conditioners and cabinets from Haier, a renowned domestic brand.

### ***Project Construction***

Our headquarters, in collaboration with all our specialized departments, formulates the standard of construction requirements and we require each of our regional offices to follow and implement the standard consistently. Our headquarters has a dedicated team of over 800 professional staff who collect and analyze information on project progress and construction quality from all of our regional offices on a weekly basis through our in-house information management system. This team not only sends out professionals to conduct on-site inspection, but also dispatches qualified professionals and engineers to supervise the overall construction of each individual project from time to time.

Under the supervision of our headquarters, each of our regional offices is responsible for the day-to-day management of specific project construction in accordance with our centralized standard. The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with the relevant PRC laws and regulations as well as our own standards and specifications. Our construction management department is charged with the responsibility of closely monitoring quality and construction progress as well as controlling cost during construction. In the event of unsatisfactory quality of work, we will reject such work pursuant to our contractual arrangements until it is redone to our satisfaction. Our construction contracts typically require payments based on construction progress until a specified maximum percentage of the total contract sum is paid. Except for approximately 5% of the contract sum, which we generally withhold for two years from the time of completion to cover any contingent expenses incurred as a result of any construction defects, the remaining balance is payable upon confirmation of the construction quality. You should refer to the section entitled “— Quality Control and Construction Supervision” below for additional information on our quality control system.

### ***Quality Control and Construction Supervision***

We control the overall project quality directly from our headquarters by the following means:

- provision of professional guidance and technical support to our regional offices for the purpose of overseeing and supervising the construction of all our projects;
- compilation of various standardized technical guidelines and assessment systems, including our property construction management system, to manage the various aspects of project developments;
- results evaluation conducted through the monthly plans and weekly progress reports submitted by our regional offices with respect to all of our projects under development from time to time; and
- dispatch of qualified personnel to conduct on-site quality inspections on a random basis.

We emphasize and enforce our quality control at every stage of a project development from its initial planning and design through its final completion. In addition to our stringent and intensive selection process in choosing our suppliers and service providers as disclosed in the sections entitled “— Centralized Tender” and “— Centralized Procurement” above, we employ strict procedures to select, inspect and test equipment and materials we purchase. Our project management teams inspect equipment and materials to ensure their compliance with the contractual specifications before accepting them and approving payment. We reject and return any supplies that are below our standards or that do not comply with our specifications.

To ensure quality and to monitor the progress and workmanship of a construction project, our wholly owned construction supervision company, Evergrande Engineering and Supervision Co., Ltd., monitors our projects developments on a nationwide basis. Evergrande Engineering and Supervision Co., Ltd. has earned the highest qualification recognized by the PRC government and currently employs over 2,300 qualified construction supervisor-engineers. In compliance with PRC laws and regulations, we also engage certified construction supervision companies to monitor certain aspects of our project construction as specified by the relevant rules and regulations. We also require the construction contractors to implement our quality control procedures, including the appointment of their internal on-site quality control engineers, examination of materials and supplies, and their on-site inspection. We rely on our own qualified construction supervisor-engineers to effectively monitor the construction process to ensure quality control. Our qualified construction supervisor-engineers not only conduct on-site quality inspection of the construction work on a daily and continuous basis, but also are authorized to tear down sub-standard work if they deem it necessary. We have formulated a series of internal quality assurance standards and systems to regulate all major processes and procedures in our project development, including construction works, water and electricity systems, pipe networks, landscaping, fitting-out works, interior design and decoration, controls over raw materials and equipment supply. To control product quality, we have also developed an information management system to enable our headquarters to access information, on a real-time basis, on the construction progress relating to each individual building across our projects anywhere in the country.

We also make great efforts to promote safety and environmental awareness at our construction sites. Many of our construction sites in Guangzhou have received “Double Excellence Construction Sites” awards by Guangzhou municipal government. In addition, prior to handing over our property to a purchaser, our sales and customer service departments, together with our engineers and the property management company, inspect the property to ensure it is fit for delivery.



### *Sales and Marketing*

We combine a centralized sales and marketing management team with the employment of first-rate professional property sales agencies for our sales and marketing in China. Our internal sales and marketing management team is responsible for formulating our nationwide sales and marketing strategies and supervising their execution, while the retained sales agencies are responsible for implementing such strategies and actual sales. This approach assures consistency in our promotion and sales strategy on a nationwide basis and improves efficiency in our sales.

We have approximately 11,330 personnel to manage and coordinate our marketing and sales. Their principal responsibilities include the following:

- market research;
- brand promotion;
- sales planning;
- property pricing; and
- sales management.

Our centralized sales and marketing management team coordinates with our regional offices in selecting qualified sales agencies and promoting our brands across different regional markets in China. Our marketing and sales management team works closely with other internal teams and external agencies in order to determine the appropriate advertising and selling plans for any particular project. They also monitor sale and pre-sale procedures conducted by sales agencies. In addition, senior members of our sales and marketing management team are also actively involved in such matters as site selection, project planning and project design.

Our promotion channels primarily include advertising through newspapers, television, radio, internet, billboards, magazines and mobile phone text messages. We generally engage first-rate property sales agencies and advertising design houses in China to assist us in our sales campaigns. As part of our marketing strategy, we organize potential customers to visit our property projects via our free shuttle buses. These showcase visits facilitate sales of our properties under development and help promote our brand.

### *Pre-sale*

Like other developers, we pre-sell properties prior to the completion of their construction. Under the PRC pre-sale laws and regulations, property developers must satisfy specific conditions before they may pre-sell their properties under construction. These mandatory conditions include:

- The land premium has been paid in full;
- The land use right certificates, the construction land planning permits, construction works planning permits and the construction permits have been obtained;
- At least 25% of the total project development investments has been made;
- The progress and the expected completion and delivery date of the construction are certain; and
- The pre-sale permit has been obtained.

These mandatory conditions are designed to impose a timing restriction on developers with respect to the commencement of pre-sales. They are predicated on substantial progress in project construction and in capital expenditure. To protect the rights and interests of consumers, local governments generally require developers and property purchasers to use standard sales and purchase contracts prepared under the auspices of such local governments. Developers are required to file all such contracts with local land bureaus and real estate administrative authorities within 30 days of entering into such contracts. Local governments may impose additional conditions from time to time for commencing pre-sale of properties.

In addition to satisfaction of mandatory conditions required by PRC laws and regulations, we typically impose our own additional requirements before we pre-sell. To demonstrate our superior product quality to our potential buyers and to shorten the duration between pre-sale and delivery, we generally commence our pre-sale only after we have completed the landscaping, gardening, and the construction of the on-site show units and the lobby.

### ***Payment Arrangement***

Purchasers of our residential properties, including those purchasing our pre-sale properties, may pay us through mortgage loans with banks. We typically require our purchasers to pay a non-refundable deposit upon entering into provisional purchase contracts. If the purchasers later decide not to enter into formal purchase contracts, they will forfeit such deposits to us. Upon executing the formal purchase contracts, we offer the purchasers several types of payment plans with various terms. Typically, the purchasers are required to pay at least 30% of the total purchase price of the property within five days, and the remaining balance within 20 days. If the purchasers choose to fund their purchases by mortgage loans provided by banks, it is their own responsibility to apply for and obtain the mortgage approvals. Upon request, we also assist mortgage applicants by providing the relevant property information to expedite their application process. The payment terms of our sales and pre-sales are substantially identical.

Most of our customers purchase our properties through mortgage financing. In accordance with industry practice in China, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our pre-sold properties. These guarantees are released upon the earlier of (i) the relevant property ownership certificates being delivered to the purchasers; and (ii) the full repayment of mortgage loans by the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2015, 2016, 2017 and June 30, 2018, our outstanding guarantees on the mortgage loans of the purchasers of our pre-sold properties were approximately RMB141,591 million, RMB252,128 million, RMB344,026 million and RMB349,975 million (US\$52,889 million) respectively. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans of our customers and may become liable to the mortgagee banks if our customers default on their mortgage loans” for additional risk disclosure.

### ***After-sales Services and Property Management***

We have a dedicated customer service department to manage our after-sales services. We have also set up an ownership certificate department to assist our purchasers in obtaining their property ownership certificates. We offer various communication channels, such as designated mailboxes and emails, for our customers to conveniently express their feedback and complaints about our products or services. Our customer service staff is committed to finding the best solutions to the reported problems. We also provide free publications to our existing customers to cultivate a sense of belonging and community.

Prior to delivery of properties to customers, we usually engage Jinbi Property Management, our subsidiary and a nationally accredited property management company, to manage our properties until the property owners have established a homeowner’s association pursuant to the PRC laws and regulations to choose their own property management company. We also engage well-known external professional property management or consultancy companies to manage some of our high-end projects. As of June

30, 2018, most owners of our developments who had become statutorily entitled to elect their property management companies continued to engage Jinbi Property Management to manage their properties. The property management services we provide in relation to our projects include maintenance of common facilities, cleaning, security, gardening, landscaping and other services.

Currently our other businesses primarily included property construction, hotel and other property development related services and we have taken significant initiatives or made investments to expand into industries including tourism and culture, healthcare, new energy vehicle, high technology as well as banking and insurance.

## **Other Business**

To diversify our business, we have taken significant initiatives or made investments to enter into industries, including but not limited to, tourism and culture, healthcare, new energy vehicle, high technology, banking and insurance industries.

### ***Tourism and Culture***

Evergrande tourism focuses on fairy tale mythology themed children's parks and aims to create a cultural tourism complex with the world's top amusement equipment and technology. Fairyland is being developed as an all season indoor theme park that will cater towards younger children and promote Chinese culture and global themes. As of June 30, 2018, Evergrande Tourism had 13 cultural tourism projects in China with a land reserve of 47 million sq.m. and a total GFA under development of approximately 12.8 million sq.m.

Evergrande Culture, our wholly owned subsidiary operating in the cultural industry in China, features cinemas, music, film and television and animation businesses. Evergrande Culture currently operates 120 cinema theaters, with a collective 851 screens and is present in 94 cities.

### ***Healthcare and New Energy Vehicle***

Evergrande Health is a large and comprehensive health group which operates high-end international hospitals and a community health management system, providing all-age healthcare services with an emphasis on serving the elder people. As of the date of this offering memorandum, Evergrande Health has nine healthcare center projects under our Evergrande • Elderly Care Valley series. Our Evergrande • Elderly Care Valley series advocates an innovative concept of disease prevention, medical care, health care and medical insurance, providing our members with comprehensive health management services. Evergrande Health has also cooperated with Brigham and Women's Hospital, a major hospital of Harvard Medical School, to jointly establish the Bo'ao Evergrande International Hospital to provide world-class oncologic disease screening, diagnosis, treatment and rehabilitation services. Moreover, Evergrande Health endeavors to establish a community-based health management system to enhance the value of the properties we develop.

In addition, we have entered into the emerging new energy vehicle industry in 2018. Evergrande Health owns 32% of Faraday Future, an American start-up technology company focused on the development of intelligent electric vehicles. Furthermore, in January 2019, Evergrande Health acquired 51% interest of National Electric Vehicle Sweden (NEVS), a global new energy smart car group in Sweden. NEVS has developed two types of all-electric vehicles which can be put into mass production. The NEVS currently has two production bases in Trollhättan, Sweden and Tianjin, China, and is planning to build a third production base in Shanghai, China.

## ***High Technology***

Our investments in the high-technology industry primarily focus on a number of key areas, including life sciences, aerospace, integrated circuits, quantum technology, new energy, artificial intelligence, robotics and modern technology agriculture. As of June 30, 2018, we have entered into cooperation agreements on six projects with Chinese Academy of Sciences and the total investment under these agreements amounts to RMB1.6 billion.

## ***Banking and Insurance***

We hold a 17.28% equity interest in Shengjing Bank and is its largest shareholder. The bank's total assets amounted to RMB938.7 billion with total deposits amounting to RMB443.5 billion, as of June 30, 2018. In addition, we hold a 50% interest in Evergrande Life through the acquisition of GELC, a life insurance company based in China, in 2015. We aim to leverage our strong brand recognition in the real estate industry to provide the residents of our communities with insurance services. As of June 30, 2018, Evergrande Life's annual standardized premiums amounted to RMB13.6 billion, had 950,000 policy holders and operated eight branches located in Chongqing, Sichuan, Shaanxi, Hubei, Hunan, Henan, Guangdong and Shenzhen.

## **Competition**

We compete with other real estate developers in terms of a number of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. The property market in China is highly competitive. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers, such as leading developers from Hong Kong. You should refer to the section entitled "Risk Factors — Risks Relating to Our Business — Intensified competition might adversely affect our business and our financial position" for additional disclosure.

## **Insurance**

Property developers are not required under PRC national and local laws and regulations to maintain insurance coverage in respect of their property development operations. We do not maintain insurance coverage on our properties developed for sale other than with respect to those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not require the construction companies we engage to maintain insurance coverage on properties under construction. We generally do not carry insurance against personal injuries that may occur during the construction of our properties. The construction companies, however, are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have formulated a set of standards and specifications for the construction workers to comply with during the construction process. We deploy our own qualified construction supervisor-engineers and also engage qualified external supervision companies to oversee the construction process. Under PRC laws and regulations, the owner or manager of a property under construction bears the civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. We have taken these and other steps in an effort to prevent construction accidents and personal injuries. We believe that we should be in a position to demonstrate that we were not at fault as the property owner if a personal injury claim should be brought against us. In addition, according to our construction contracts, any liability that may arise from tortious acts committed on work sites should be borne by the construction companies. To date, we have not experienced any destruction of or material damage to our property developments nor have any material personal injury-related claims been brought against us.

We believe that our policies with respect to insurance are in line with the industry practice in China. However, there are risks that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — We have limited insurance to cover our potential losses and claims” for additional risk disclosure.

### **Environmental and Safety Matters**

We believe that our key operations are in material compliance with currently applicable national and local environmental and safety laws and regulations. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — Potential liability for environmental damages could result in substantial outflow of our resources” for additional risk disclosure.

### **Legal Proceedings**

From time to time we are involved in legal proceedings or disputes in the ordinary course of business, including claims relating to our guarantees for mortgage loans provided to our purchasers, contract disputes with our purchasers and suppliers and disputes with respect to our co-developed projects or land acquisition contracts. For example, in January 2016, Winlok Investment Ltd. (威諾投資有限公司) filed two lawsuits in The Fourth Intermediate People’s Court of Beijing against four defendants, including a wholly-owned subsidiary of ours, Marche Limited (麗來富華集團有限公司), which holds the entire equity interest of two of our project companies in Beijing. Two project companies in Beijing participated in the proceedings of the two cases as the third party. The claims alleged that two equity transfer agreements entered into between Niceline Company Limited (麗來有限公司) and Marche Limited were invalid and the investment interests in the aforesaid project companies remained with Niceline Company Limited. The Fourth Intermediate People’s Court of Beijing made a first instance judgment on two cases in February 2018, dismissing all the claims of Winlok Investment Ltd.. Winlok Investment Ltd. appealed to the High People’s Court of Beijing regarding the two cases, requesting the court to vacate the first instance judgment and to support its claims. Two of our project companies in Beijing participated in the hearing organized by the Beijing High People’s Court in August 2018. As of the date of this offering memorandum, the Beijing High People’s Court has not rendered a final judgment. We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us except as otherwise disclosed in this offering memorandum. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — We may be involved from time to time in material disputes, legal and other proceedings arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations and may face significant liabilities as a result” for additional risk disclosure.

## REGULATION

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

### **The PRC Legal System**

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

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

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

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

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

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed in June 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

### **The PRC Judicial System**

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level court supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise



legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the same level and at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC adopted in April 1991 and revised in August 2012 sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, *provided* that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection can not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other institutions, the time limit is six months. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

### **The PRC Regulatory Regime**

We operate our business substantially in China under a legal regime consisting of the Standing Committee of the National People's Congress, the State Council and several ministries and agencies under its authority including, among others, the Ministry of Land and Resources, the Ministry of Housing and Urban-Rural Development, and the Ministry of Environmental Protection. According to the Institutional Reform Program of the State Council (國務院機構改革方案) promulgated by the PRC National People's Congress on March 17, 2018, the Ministry of Land and Resources has been incorporated into the newly organized the Ministry of Natural Resources and the Ministry of Housing and Urban-Rural Development's functions with respect to urban and rural planning has been transferred to the Ministry of Natural Resources. Besides, the Ministry of Environmental Protection has been

incorporated into the newly organized the Ministry of Ecology and the Environment. Both the Ministry of Land and Resources and the Ministry of Environmental Protection will no longer be retained following the structure reform of administrative organs led by the State Council. Pursuant to the Program for Deepening the Reform of the Party and the State Institutions (深化黨和國家機構改革方案) promulgated by the Central Committee of the PRC Communist Party on March 21, 2018, the reform of the central and state institutions is expected to be completed before the end of the fiscal year of 2018.

### **Establishment of a Real Estate Development Enterprise**

According to the PRC Law on Administration of Urban Real Estate 《城市房地產管理法》 promulgated by the National People's Congress, effective in January 1995, amended in August 2007, a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. 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 in July 1998, amended in 2011 and 2018, an enterprise that is to engage in development of real estate must satisfy the following requirements:

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

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise whose business is not falling within the category of prohibited industries for foreign investment, the developer must file the record with the competent administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

Pursuant to the Special Administrative Measures on Access of Foreign Investment (Negative List) (2018 Edition) (外商投資准入特別措施(負面清單)(2018年版)), which was promulgated by the NDRC and the MOFCOM on June 28, 2018 and became effective from July 28, 2018, foreign investment in the real estate industry and the construction and operation of villas are not within the scope of special administrative measure but which shall be subject to the same restricted measures as such investments by domestic investors.

Pursuant to the Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets 《關於調整固定資產投資項目資本金比例的通知》 issued by the State Council in May 2009, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%. Furthermore, pursuant to the Notice on Adjusting and Perfecting the System of Capital Fund for Investment Projects in Fixed Assets 《關於調整和完善固定資產投資項目資本金制度的通知》 issued by the State Council on September 9, 2015, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects remains unchanged at 20%, while it has been adjusted from 30% to 25% for other real estate projects.

In July 2006, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued an Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market 《關於規範房地產市場外資准入和管理的意見》, which provides, among other things, that an overseas entity or individual investing in real estate in China other than for self-use must apply for the establishment of a FIREE in accordance with applicable PRC laws and may only conduct operations within the authorized business scope. The joint opinion attempts to impose additional restrictions on the establishment and operation of FIREE by regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of approval certificates and business licenses to one year, restricting the ability to transfer equity interests of a FIREE or its projects and prohibiting the borrowing of money from domestic and foreign lenders where its registered capital is not paid up or the land use rights are not obtained. In addition, the joint opinion also limits the ability of foreign individuals to purchase commodity residential properties in China.

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued an Opinion on Adjusting Policies on the Admittance and Administration of Foreign Capital in the Real Estate Market 《關於調整房地產市場外資准入和管理有關政策的通知》 which provides, among others, that (i) the ratio of registered capital to total investment of foreign invested real estate enterprises shall be subject to the Tentative Regulations on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures 《關於中外合資經營企業注冊資本與投資總額比例的暫行規定》; (ii) the requirement that a foreign invested real estate company must fully pay its registered capital before handling the procedures for domestic loans, foreign loans, and settlement of foreign exchange loans shall be canceled; (iii) the branches and representative offices of foreign institutions established in China (except the enterprises that are approved to operate real estate businesses) and the foreign individuals who work or study in China may purchase commodity houses for the purposes of self-use or living.

In May 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector 《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》, or Circular 50. Under Circular 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership, or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In connection with the filing requirement, MOFCOM issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector 《關於做好外商投資房地產業備案工作的通知》 in June 2008 to authorize the competent MOFCOM at the provincial level to verify and check the filing documents.

Moreover, in December 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry 《關於加強外商投資房地產業審批備案管理的通知》, which provides that, among other things, in the case that a real estate enterprise is established within the PRC with oversea capital, it is prohibited from purchasing and/or selling real estate properties completed or under construction within the PRC for arbitrage purposes. The local MOFCOM authorities are not permitted to approve foreign-invested investment companies to engage in the real estate development and management.

On June 24, 2014, MOFCOM and SAFE jointly promulgated the Circular on Improving the Record-filing for Foreign Investment in Real Estate 《關於改進外商投資房地產備案工作的通知》, which simplifies the procedures of record-filing for foreign investment in real estate and the record-filing with MOFCOM has been changed from the record-filing in the form of paper materials to that in the form of electronic data and selective examination will be conducted during and after the record-filing.

On November 6, 2015, MOFCOM and SAFE jointly promulgated the Circular on Further Improving the Record-filing of Foreign Investments in Real Estate 《關於進一步改進外商投資房地產備案工作的通知》, which further simplifies the record-filing procedures for foreign-invested real estate enterprises and cancels the registry publication procedures on the website of MOFCOM.

According to the Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment 《國務院關於進一步做好利用外資工作的若干意見》, promulgated by the State Council in April 2010, except where approval by the relevant departments under the State Council is required by the Investment Project Catalog, foreign investment in encouraged and permitted industries with a total investment of less than US\$300 million will be examined and approved by NDRC's branches at the provincial level. Pursuant to the Notice on Issues Related to Delegation of Powers of Examination and Approval of Foreign Investment to Authorities at Lower Levels 《關於下放外商投資審批權限有關問題的通知》, promulgated by MOFCOM in June 2010, MOFCOM's branch at the provincial level is responsible for the examination and approval of establishments and changes of foreign-invested enterprises in encouraged or permitted industries with a total investment of less than US\$300 million and with a total investment of less than US\$50 million in restricted industries.

On September 3, 2016, National People's Congress Standing Committee adopted a decision on amending the relevant laws in relation to foreign invested companies, which became effective from October 1, 2016. Upon the effectiveness of the decision, promulgated the Interim Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises 《外商投資企業設立及變更備案管理暫行辦法》, which provide that the establishment of the foreign invested enterprises, including real estate development enterprises, and its subsequent modifications are required to file with competent local authorities instead of obtaining approvals from local MOFCOM authorities, except for the foreign invested enterprises which are subject to special administrative measures. To implement the decision, MOFCOM promulgated the Interim Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises 《外商投資企業設立及變更備案管理暫行辦法》 on October 8, 2016, amended in July 2017 and June 2018. The scope of special administrative measure shall be governed by the Special Administrative Measures on Access of Foreign Investment (Negative List) (2018 Edition) (外商投資准入特別措施(負面清單)(2018年版)), which was promulgated by the NDRC and the on June 28, 2018 and became effective from July 28, 2018.

### **Qualifications of a Real Estate Developer**

Under the Provisions on Administration of Qualifications of Real Estate Developers 《房地產開發企業資質管理規定》 as amended in May 2015, or the Provisions on Administration of Qualifications, promulgated by MOHURD in March 2000, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. MOHURD oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of MOHURD. 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 the 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 gross floor area of less than 250,000 sq.m. subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, 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 of any 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 real estate development authority 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 from its date of issue and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

### **Development of a Real Estate Project**

Pursuant to the Special Administrative Measures on Access of Foreign Investment (Negative List) (2018 Edition) (外商投資准入特別措施(負面清單)(2018年版)), which was promulgated by the NDRC and the MOFCOM on June 28, 2018 and became effective from July 28, 2018, foreign investment in the real estate industry and the construction and operation of villas are not within the scope of special administrative measure but which shall be subject to the same restricted measures as such investments by domestic investors.

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land 《城鎮國有土地使用權出讓和轉讓暫行條例》 promulgated by the State Council in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium, as determined by the relevant PRC government authorities, has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and



Approval for Construction Sites 《建設用地審查報批管理辦法》 promulgated by the Ministry of Land and Resources in March 1999, as amended in November 2010 and November 2016, and the Measures for Administration of Preliminary Examination of Construction Project Sites 《建設項目用地預審管理辦法》 promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004, November 2008 and November 2016. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction entity or the developer.

Under the Measures for Control 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 MOHURD in December 1992, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning 《中華人民共和國城鄉規劃法》 promulgated by the National People's Congress in October 2007, as amended in April 2015, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

In accordance with the Regulations for the Expropriation 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 State-owned land for purposes of public interest, the owners of the housing being expropriated shall be offered a fair compensation.

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

The parties whose housing is being expropriated may choose monetary compensation, or may choose to exchange the property rights for another housing. If the parties whose housing is being expropriated choose to exchange the property rights for another housing, governments at municipal and county levels must provide housing used for the exchange of property rights, and calculate and settle the difference between the value of housing being expropriated and the value of the housing used for the exchange of property rights. If residential housing of an individual is expropriated due to renovation of an old urban district and the individual chooses to exchange for the property rights of another housing in the area being renovated, governments at municipal and county levels that make housing expropriation decisions must provide the housing in the area being renovated or the nearby area. The amount of compensation for the value of housing being expropriated may not be less than the market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated must be appraised and determined by a real estate price appraisal institution with corresponding qualifications. A party that objects to the appraised value of the housing being expropriated may apply to the real estate price appraisal institution for review of the appraisal.

On June 3, 2011 the Ministry of Housing and Urban-Rural Development promulgated Measures for Real Estate Appraisal in Expropriation of Houses on State-owned Land 《國有土地上房屋徵收評估辦法》 which provides that in appraising the value of the expropriated house, the location, purpose of use, building structure, present condition, GFA and the land area occupied, land use right, and other factors affecting the value of the expropriated house shall be taken into consideration.



When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works 《建築工程施工許可管理辦法》 promulgated by MOHURD in June 2014. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects 《國務院辦公廳關於加強和規範新開工項目管理的通知》 issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000 and amended on October 7, 2017, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects 《建設工程質量管理條例》, which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. In August 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings 《民用建築節能條例》, which reduces the energy consumption of civil buildings and improves the efficiency of the energy utilization. According to this regulation, the design and construction of new buildings must meet the mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result in no neither commencement of construction or acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Provision on Inspection Upon completion of Housing 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 in December 2013, and file with the construction authority at or above the county level where the project is located within 15 days after the construction is qualified for the acceptance examination according to the Provisional Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure 《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》 promulgated by MOHURD in April 2000, as amended in October 2009. The developer must also report details of the acceptance examination according to the Interim Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure 《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》 promulgated by MOHURD in April 2000, as amended in October 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each phase upon completion.

In China, there are two registers of property interests. Land registration is effected by the issue of land use right certificates by the relevant authorities to the land users. Land use rights may be assigned, mortgaged or leased. The building registration is effected by the issue of property ownership certificates to the property owners. Property or building ownership rights are only related to the building or improvements erected on the land. Under the PRC laws and regulations, all land use rights and property ownership rights that are duly registered are protected by law. Most cities in China maintain separate registries for the registration. However, Shenzhen, Shanghai, Guangzhou and some other major cities have a consolidated registry for both land use rights and the property ownership interests for the building erected on the relevant land.

## Land for Property Development

In April 1988, the National People's Congress amended the PRC Constitution to permit the transfer of land use rights in accordance with the laws and regulations. In December 1988, the National People's Congress amended the Land Administration Law 《土地管理法》 to permit the transfer of land use rights in accordance with the laws and regulations.

Under the Regulations on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale 《招標拍賣掛牌出讓國有土地使用權規定》 promulgated by the Ministry of Land and Resources in May 2002, and amended in September 2007 by the Provisions on Transfer of the State-owned Construction Land Use Rights through Tendering, Auction and Listing 《招標拍賣掛牌出讓國有建設用地使用權規定》, land for commercial use, tourism, entertainment and commodity housing development must be granted by public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the day of public tender or auction with respect to the particulars of the land parcel and the time and venue of the public tender or auction. The grantor must also verify the qualification of the bidding and auction applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of state-owned land use rights. Over the years, the Ministry of Land and Resources has promulgated further rules and regulations to define the various circumstances under which the state-owned land use rights may be granted by means of public tender, auction and listing-for-sale or by agreement.

Under the Regulation on Grant of State-owned Land Use Rights by Agreements 《協議出讓國有土地使用權規定》 promulgated by the Ministry of Land and Resources on June 11, 2003, except for the project that must be granted through tender, auction and listing as required by the relevant laws and regulations, land use right may be granted through transfer by agreement and the land premium for the transfer by agreement of the state-owned land use right shall not be lower than the benchmark land price.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land 《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》 issued by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for the construction land and protection of the basic farmlands.

The Notice on Issues Relating to Strengthening the Land Control 《關於加強土地調控有關問題的通知》 promulgated by the State Council on August 31, 2006 sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

In March 2007, the National People's Congress adopted the PRC Property Rights Law 《中華人民共和國物權法》, which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, and use such land use rights as equity contributions or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-sale 《招標拍賣掛牌出讓國有建設用地使用權規定》 to require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the

grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In October 2007, the Standing Committee of National People's Congress promulgated the PRC City and Countryside Planning Law 《中華人民共和國城鄉規劃法》, pursuant to which, a construction planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

In November 2007, the Ministry of Land and Resources, the MOF and PBOC jointly promulgated the Administration Measures on Land Reserve 《土地儲備管理辦法》, which is amended in January, 2018, pursuant to which, local authorities should in accordance with the national economic and social development planning, national land planning, overall land use planning as well as urban and rural planning, prepare a three-year rolling plan for land reserve, rationally determine the size of the land reserve for the next three years, and make overall arrangements for the total amount, structure, layout, timing and other aspects of the land resources that can be collected and stored within three years, and give priority to reserve stock of construction land that is idle or used inefficiently.

In November 2009, the MOF, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant 《關於進一步加強土地出讓收支管理的通知》. The notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

In March 2010, the Ministry of Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply 《關於加強房地產用地供應和監管有關問題的通知》. According to the notice, at least 70% of total land supply must be provisioned for affordable housing, redevelopment of shanty towns and small/medium residential units for self-use and the land supply for large residential units will be strictly controlled, while land supply for villa projects will be banned. The notice also requires that the lowest land grant price must be at least 70% of the basic land price in which the granted land is located and the real estate developers' bid deposit should be at least 20% of the lowest land grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium will be 50% and must be paid within one month after the execution of the land grant contract. The remainder of the land grant payment must be paid in accordance with the agreement within one year. If the land grant contract is not executed in accordance with the requirement above, the land cannot be handed over and the deposit will not be returned. If no land grant premium is paid after the execution of the land grant contract, the land must be withdrawn.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development 《關於進一步加強房地產用地和建設管理調控的通知》, which stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased, (ii) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) non-compliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development

and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets 《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》, which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of this year; (ii) land and resource authorities in local cities and counties will report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; and (iii) land designated for affordable housing which is used for property development against relevant policies or involves illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

On January 26, 2011, the General Office of the State Council issued the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market 《進一步做好房地產市場調控工作有關問題的通知》. This notice, among others, provides that:

- (i) individuals selling houses within five years of purchase will be charged business taxes on the full amount of the sale price of such houses, whether ordinary or non-ordinary;
- (ii) the minimum down payment for second house purchases is raised from 50% to 60%;
- (iii) the PRC government will forfeit the land use rights and impose an idle land fee of up to 20% of the land premium if a developer fails to obtain a construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract; and
- (iv) municipalities directly under the Central Government, municipalities with independent planning status, provincial capitals and cities with high housing prices shall limit the number of homes that local residents can buy in a specified period. In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly-built houses and second-hand houses). Sales of properties to (a) local resident families who own two or more houses, (b) non-local resident families who own one or more houses, and (c) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period, shall be suspended in local administrative regions. In order to implement the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market, many cities have promulgated new measures to restrict the number of houses one family is allowed to purchase.

On May 13, 2011 the Ministry of Land and Resources promulgated Opinions Regarding Upholding and Improvement of the Systems for the Granting of Land through Tender, Auction and Listing-for-sale 《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》, which improve policies of tender, auction and listing in the following aspects:

- (1) Restricting the housing prices or land prices, and granting the land to be used for policy-based housing through listing or auction;
- (2) Prescribing limits on the construction floor area for affordable housing built in conjunction and granting the land to be used for commodity housing through listing or auction; and

- (3) Conducting comprehensive assessment of the conditions for development and utilization of land and the price for granting of land and determining the person with land use right through tender.

In February 2012, the Ministry of Land and Resources promulgated the Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2012 《關於做好2012年房地產用地管理和調控重點工作的通知》，pursuant to which, the target total supply of urban housing land shall not be lower than the annual average supply for the preceding five years.

In May 2012, the Ministry of Land and Resources issued the Catalog for Restricted Land Use Projects (2012 Version) 《限制用地項目目錄(2012年本)》 and the Catalog for Prohibited Land Use Projects (2012 Version) 《禁止用地項目目錄(2012年本)》. In these Catalogs, the Ministry of Land and Resources set forth a ceiling for the land granted by local governments for development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

Pursuant to the Measures on Disposal of Idle Land 《閒置土地處置辦法》 promulgated in April 1994 and amended in June 2012, “idle land” refers to any state-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of state-owned land for construction use, or the decision on allocation of state-owned land for construction use. Any state-owned land for construction use, of which the construction and development has been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development, or the invested amount is less than 25% of the total investment, or the construction and development of which has been suspended for more than one year, may also be regarded as idle land.

Idle land shall be disposed of in the following ways:

- (1) Where the land has remained idle for more than one year, the competent department of land and resources shall collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- (2) Where the land has remained idle for more than two years, the right to use state-owned land for construction will be withdrawn without compensation.

However, where the land is idle due to several specified acts of any government or government department, the land administrative authority may, through consultation with the holder of the land use right, choose to extend the time limit for the commencement of land construction and development, withdraw use right to land by providing compensation, or provide another plot of land for exchange, among other options.

On May 22, 2014, the Ministry of Land and Resources promulgated Provisions on the Economical and Intensive Use of Land 《節約集約利用土地規定》 (effective from September 1, 2014), which provides that land and resources authorities shall effectively control the scale of added construction lands in the metropolis; the supply of various lands under compensable use shall be not less than the lowest price standards; it is prohibited to reduce or relieve the land grant price in a disguised form by way of exchanging projects with land, returning fees after collecting them or granting subsidies or awards.

On September 12, 2014, the Ministry of Land and Resources issued Guiding Opinions on Promoting the Economical and Intensive Utilization of Land 《關於推進土地節約集約利用的指導意見》 or the Opinions. The Opinions set major targets for the economical and intensive utilization of land in the upcoming period, including placing the total quantity of land used for construction under control,



continuously optimizing land utilization structure and layout, achieving obvious progress in the exploration and comprehensive improvement of land reserves, and improving the system and mechanism for the economic and intensive utilization of land. The Opinions also impose an array of requirements including deepening the reform of the system for the paid use of state-owned construction land, expanding the scope of state-owned land that can be used with compensation offered, gradually promoting the use of land with compensation offered for the construction of profit-making infrastructure and social undertakings and narrowing the scope of land the supply of which is subject to allocation.

On April 1, 2017, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly promulgated the Circular on Recently Tightening the Management and Control over Residential Properties and Land Supply 《關於加強近期住房及用地供應管理和調控有關工作的通知》, which stipulated, among other things, (i) the scale, structure and time sequence of housing land supply which will be adjusted according to the commercial housing inventory cycle and the supply of land (a) with an inventory cycle of more than 36 months shall be suspended, (b) with the inventory cycle of 18 to 36 months shall be reduced, (c) with the inventory cycle of six to 12 months shall be increased and (d) with the inventory cycle of less than six months shall be increased and accelerated; (ii) local authorities will build a fund inspection system to ensure that the real estate developers use legally obtained funds to acquire land use rights and (iii) the local bidding system of the land use rights shall be determined in a flexible manner according to the actual status and specific conditions of land.

On May 19, 2018, the Ministry of Housing and Urban-Rural Development promulgate the Circular on Further Maintaining Effective Regulation of the Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), which provided that the proportion of residential land shall be enhanced in certain cities and the proportion of residential land in urban construction land is recommended to be not less than 25%.

### **Sale of Commodity Houses**

Under the Measures for Administration of Sale of Commodity Houses 《商品房銷售管理辦法》 promulgated by MOHURD in April 2001, sale of commodity houses can 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 Commodity Buildings in Urban Area promulgated by MOHURD in November 1994 《城市商品房預售管理辦法》, 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 pre-sale 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. A commodity building may be sold before completion only if:

- the purchase price 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 planning permit and a construction permit have been properly obtained;
- funds invested in the development of the commodity buildings for pre-sale represent 25% or more of the total investment in the project and the construction progress as well as the completion and delivery dates have been properly ascertained; and
- a pre-sale permit has been obtained.

The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold.



Commodity buildings may be put to post-completion sale and delivery after they have passed the acceptance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit a 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.

In April 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses 《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》. Pursuant to the notice, without pre-sale approval, the commodity houses are not permitted to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit, pre-payment or payment of a similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of local conditions and encourages property developers to engage in the practice of selling completed commodity properties.

According to Provisions on Sales of Commodity Properties at Clearly Marked Price 《商品房銷售明碼標價規定》 which was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011, all real estate developers and or real estate agencies are required to mark the selling price explicitly and clearly for both newly-built and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale permits or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

On October 10, 2016, MOHURD promulgated the Circular on Further Regulating the Operation of Real Estate Developers to Protect the Real Estate Market Discipline 《關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知》, which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

### **Transfer of Real Estate**

According to the PRC laws and the Provisions on Administration of Transfer of Urban Real Estate 《城市房地產轉讓管理規定》 promulgated by MOHURD in August 1995, as amended in August 2001, a real estate owner may sell, gift or otherwise legally transfer the property to another natural person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to a transfer must enter into a written real estate transfer contract and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights are originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the granted land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and

- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or
- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights are originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, *inter alia*, change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocated land use right may be changed to granted land use rights upon approval by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Assignment of Land for commercial use, tourism, entertainment and commodity housing development must be conducted through public tender, auction or listing-for-sale under the current PRC laws and regulations.

### **Leases of Buildings**

The Measures for Administration of Leases of Commodity Housing 《商品房屋租賃管理辦法》 promulgated by MOHURD on December 1, 2010 and implemented on February 1, 2011, requires parties to a leasehold arrangement of a property to register the lease agreement with property administrative authorities of the local government at the municipal or county level where the property is situated within 30 days after entering into such lease agreement. In addition, an enterprise may be imposed a fine of RMB1,000 to RMB10,000 and individuals of RMB1,000 or less if they do not register a leasing agreement within the time limit required by competent authorities. On May 17, 2016, the General Office of the State Council issued the Opinions on Accelerating the Cultivation and Development of Leasing Market 《關於加快培育和發展住房租賃市場的若干意見》, which encourages real estate developers to carry out house leasing business by utilizing built residential properties and newly built properties. The Opinions also provide a guidance on the cooperation between real estate developers and residential property leasing enterprises to develop rental property business. On July 18, 2017, the NDRC, CSRC, MOF, MOHURD, MPS, MLR, SAT, SAIC, PBOC jointly issued the Circular on Accelerating Developing the House Leasing Market in Large and Medium-Sized Cities with a Net Inflow Population 《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》, which encourages real estate developers, agencies, and property management service enterprises to establish subsidiaries to expand their house rental business.

### **Mortgages of Real Estate**

Under the PRC Urban Real Estate Administration Law 《中華人民共和國城市房地產管理法》 promulgated by the Standing Committee of the National People's Congress in July 1994, the PRC Security Law 《中華人民共和國擔保法》 promulgated by the National People's Congress in June 1995, the Measures for Administration of Mortgages of Urban Real Estate 《城市房地產抵押管理辦法》 promulgated by MOHURD in May 1997, as amended in August 2001, and Property Law of the People's Republic of China 《中華人民共和國物權法》 promulgated by the National People's Congress in March 2007, when mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to

register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage shall be established as of the date of registration. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under “third party rights” on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issue of the certificates evidencing the rights and ownership to the real estate.

The PRC Property Rights Law promulgated in March 2007 that became effective in October 2007 further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area of 90 sq.m. or more in May 2006. You may refer to “— Measures on Stabilizing Housing Prices” below. The initial capital outlay requirement was subsequently increased to 35% by CBRC in August 2004 pursuant to its Guidance on Risk Management of Property Loans Granted by Commercial Banks 《商業銀行房地產貸款風險管理指引》.

In a Circular on Facilitating the Continuously Healthy Development of Property Market 《關於促進房地產市場持續健康發展的通知》 issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity houses and controlling the construction of high-end commodity houses. The government also staged a series of measures on lending for residential development, including, among others, improving the loan evaluation and lending process, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

In September 2007, PBOC and CBRC promulgated a Circular on Strengthening the Management of Commercial Real Estate Credit Loans 《關於加強商業性房地產信貸管理的通知》, with a supplement issued in December 2007. The circular aims to tighten the control over real-estate loans from commercial banks to prevent granting excessive credit. The measures include:

- for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more and the purchaser is buying the property as its own residence;
- for a second-time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) has financed the purchase of a residential unit, any member of the family that buys another residential unit with bank loans will be regarded as a second-time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are given certain flexibility based on risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties.

In addition, commercial banks are also banned from providing loans to projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

According to the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes 《擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房的通知》 issued by PBOC on October 22, 2008, the minimum amount of down payment has been adjusted to 20% since October 27, 2008.

In September 2010, PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies 《關於完善差別化住房信貸政策有關問題的通知》, which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers for their third residential property and beyond or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period, and (iii) all property companies with records of being involved in abuse of land, changing the use of land, postponing the construction commencement or completion date, hoarding properties or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

Pursuant to the Notice on Relevant Issues Regarding the Further Improvement of Differentiated 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》 which was jointly issued by PBOC and the CBRC in September 2015, in the city where house purchase quota policy is not applied the minimum down payment ratio is adjusted to not less than 25% for a resident family who apply commercial mortgage loan to buy their first ordinary house.

In November 2010, MOHURD, the MOF and PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan 《關於規範住房公積金個人住房貸款政策有關問題的通知》, which provided that, among other things: (i) where a first-time house purchaser (including the borrower, spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 sq.m., the minimum down payment shall be at least 20%, (b) more than 90 sq.m., the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser that uses housing reserve loans, the minimum down payment shall be at least 50%, with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capita housing area is below the average in locality, and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third residential property and beyond will be suspended.

On January 26, 2011, the General Office of the State Council promulgated the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market 《進一步做好房地產市場調控工作有關問題的通知》, which, among other things, raised the minimum down payment for second house purchases from 50% to 60% and abolished the preferential business tax treatment on the transfer of ordinary housing within five years.

## Insurance

There is no mandatory provision under the PRC laws, regulations and government rules which requires a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party liability risk, employer liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

## Measures on Stabilizing Housing Prices

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 housing prices from increasing too fast and to promote a stable development of the real estate market. In April 2005, MOHURD, NDRC, the MOF, the Ministry of Land and Resources, PBOC, the State Administration of Taxation and CBRC jointly issued an Opinions on Stabilizing Housing Prices 《關於做好穩定住房價格工作的意見》, containing 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-end houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as the building height, plot ratio and green space and to impose such requirements as the selling price, type and gross floor area as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- 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-end housing property construction should be strictly restricted.
- Idle land fees must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.
- 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 entire sales proceeds 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 gross floor areas 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 the following conditions in principle: the plot ratio is above 1.0, the gross floor area of one single unit is less than 120 sq.m., 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 unfinished 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 filed electronically with the relevant government agencies immediately after its execution.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks 《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》, promulgated by PBOC in March 2005, includes adjustments to individual housing loan policies of commercial banks as well as individual housing fund loan rate. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate, subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, minimum down payment ratio for individual housing loans was adjusted from 20% to 30%. In May 2006, MOHURD, NDRC, PBOC and other relevant PRC government authorities jointly issued their Opinions on Housing Supply Structure and Stabilization of Property Prices 《關於調整住房供應結構穩定住房價格意見的通知》. Such opinions reiterated the existing measures and ushered in additional measures aimed at curbing rapid increases in property prices in large cities and promoting healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 sq.m. per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more, effective from June 1, 2006;
- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from transfer of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property other than an ordinary residential property after five years from his/her date of purchase.



In July 2006, MOHURD, NDRC, MOFCOM, PBOC, the State Administration for Industry and Commerce, and SAFE jointly issued an Opinion on Regulating the Access and Management 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》, or the 171 Opinion. The 171 Opinion aims to tighten access by foreign capital to the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among other things, that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real property in China if the property is not intended for self use. The registered capital of such foreign-invested enterprise must amount to at least 50% of its total investments in PRC real properties if the amounts of such investments exceed US\$10 million. Branches and representative offices of foreign institutions in China and foreign individuals who work or study in China for more than one year may purchase real property for their own use but not for any other purposes. In addition, foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than a year are prohibited from purchasing any real property in China. In September 2006, SAFE and MOHURD jointly issued a Notice in Respect of Foreign Exchange Issues 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》, or the 47 Notice, to implement the 171 Opinion. The 47 Notice provides specific procedures for purchasing real properties by foreign institutions and foreign individuals. The 47 Notice also forbids a foreign invested real estate enterprise to apply for overseas loans if it has failed to obtain the land use rights certificates, or its own capital funds do not reach 35% of the total investment for the project.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties and Further Strengthening Macro-control of Land Supply 《關於認真貫徹國務院〈關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》, pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low- to medium-cost and small-to medium-size units, low-cost rental properties and affordable housing.

In November 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment by, among other things, removing the development of ordinary residences from the foreign-investment-encouraged category and adding secondary market residential property trading and brokering into the foreign-investment-restricted category.

In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land 《關於金融促進節約集約用地的通知》, requiring that relevant financial institutions strengthen the administration of construction land project loans, including the administration of commercial real estate credit loans.

In October 2008, PBOC issued the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes 《擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房的通知》, pursuant to which, since October 27, 2008, the bottom limit of the interest rate applicable to the commercial personal home loans has been extended, the minimum amount of down payment has been adjusted to 20% and the interest rate applicable to personal home loans financed by provident funds has been also reduced.

In October 2008, the MOF and the State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Property Transactions 《關於調整房地產交易環節稅收政策的通知》, pursuant to which, since November 1, 2008, the rate of deed tax has been reduced to 1% for a first-time home buyer of an ordinary residence with a unit floor area under 90 sq.m., individuals who sell or purchase residential properties are temporarily exempted from stamp duty and who sell residential properties are temporarily exempted from land value-added tax. However, the aforesaid preferential policy regarding deed tax has been replaced by the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property 《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》 jointly promulgated by the MOF, the SAT and

MOHURD in September 2010, pursuant to which, in the case that an individual purchases an ordinary house which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is reduced by half; in the case that an individual purchases an ordinary house with an GFA of 90 sq.m. or less, which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is levied at a rate of 1%. Pursuant to the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Business Tax Incurred in Transfer of Real Property 《關於調整房地產交易環節契稅、營業稅優惠政策的通知》, jointly promulgated by the MOF, SAT and MOHURD in February 2016, in the case that an individual purchases an ordinary house with the area of 90 sq.m. or less which is the only house for the household (taking into account the purchaser, the spouse and minor children), the deed tax is reduced to 1%, and for the ordinary house with the area of more than 90 sq.m., the deed tax is reduced to 1.5%. Besides, excluding Beijing, Shanghai, Guangzhou and Shenzhen, in the case that an individual who has owned a house purchases the second ordinary house with the area of 90 sq.m. or less, the deed tax is reduced to 1% and for the ordinary house with the area of more than 90 sq.m., the deed tax is reduced to 2%. Besides, the Notice provides that for any individual who resells the house purchased for less than two years, full business tax is levied and for an individual who resells the house purchased for two years or more, the business tax is exempted.

In December 2008, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market 《關於促進房地產市場健康發展的若干意見》, which aims to, among other things, encourage the consumption of the ordinary residence and support the real estate developer to handle the market change. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from January 1, 2009 to December 31, 2009, a business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of a non-ordinary residence that is more than two years from the purchase date and an ordinary residence that is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to “low-to-medium-level price” or “small-to-medium-sized” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

On March 30, 2015, SAT and MOF jointly promulgated Circular on Adjusting Policies of Business Tax on Transfer of Individual Houses 《關於調整個人住房轉讓營業稅政策的通知》 which provides that, where individuals sell houses which have been procured for less than two years, they shall pay the business tax in full amount; where individuals sell the non-ordinary houses which have been procured for more than two years (inclusive), they shall pay the business tax on the balance of their sale incomes after deduction of the price for purchasing the houses; where individuals sell ordinary houses which have been procured for more than five years (inclusive), they shall be exempted from the business tax.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market 《關於促進房地產市場平穩健康發展的通知》, 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), that has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price.

On February 1, 2010, CBRC issued a Notice on Relevant Issues on Strengthening Administration of Real Estate Trust Business of Trust Companies 《關於加強信託公司房地產信託業務監管有關問題的通知》, which provides that, among other things, real estate projects must meet the following conditions to be eligible for loan financing from trust companies: (1) real estate projects must have obtained the land use rights certificates, construction land planning permits, construction works planning permits and construction permits; (2) developers or their controlling shareholders must be qualified as class 2 developers or higher; (3) the capital ratio of the project must satisfy the minimum requirements set by relevant authorities; and (4) trust companies may not provide trust funds to finance land reserves.

In April 2010, the State Council issued the Notice on Resolutely Containing the Excessive Hike of Property Prices in Some Cities 《堅決遏制部分城市房價過快上漲的通知》, or the April 2010 Notice, which provides that: (i) if a first-time home buyer (including a borrower, his or her spouse and children under 18) buys a residence with a unit floor area of more than 90 sq.m. for self use, the minimum down payment shall be at least 30%; (ii) if a second-time home buyer uses mortgage financing, the minimum down payment shall be at least 50% of the purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate; (iii) if a third-time or more homebuyer uses mortgage financing, the minimum down payment and interest rate thereof will be further raised. The April 2010 Notice further requires that in cities where property prices are overly high with excessive price hikes and strained housing supply, commercial banks may suspend extending bank loans for third-time or more home buyers in light of risk exposure. The provision of mortgage loans to non-local residents who cannot present the local tax clearance certificates or social insurance certification of more than one year will also be suspended.

In May 2010, MOHURD, PBOC and CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Housing Unit in Connection with Commercial Mortgage Loans 《關於規範商業性個人住房貸款中第二套住房認定標準的通知》, which provides, among other things, that the number of housing units owned by an individual purchaser who is applying for mortgage loans shall be determined by taking into account all housing units 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 second-time or more purchasers of housing units will be subject to different credit policies when applying for mortgage loans.

In November 2010, MOHURD and SAFE jointly promulgated the Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals 《關於進一步規範境外機構和個人購房管理的通知》, pursuant to which, an overseas individual can only purchase one house for self-use within the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential houses for business use in the city where it is registered within the PRC.

On January 26, 2011, the General Office of the State Council promulgated the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market 《進一步做好房地產市場調控工作有關問題的通知》, which, among other things, limits the number of homes that local residents can buy in a specified period. In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly-built houses and second-hand houses). Sales of properties to (a) local resident families who own two or more houses, (b) non-local resident families who own one or more houses, and (c) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period, shall be suspended in local administrative regions. In order to implement the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market, many cities have promulgated new measures to restrict the number of houses a family is allowed to purchase.

On July 19, 2012, the Ministry of Land and Resources and MOHURD jointly issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market 《關於進一步嚴格房地產用地管理鞏固房地產市

場調控成果的緊急通知》to strengthen the enforcement of macroeconomic policy in the real property market, which requires that residential construction projects must commence construction within one year from the date of land title delivery as stipulated in the land allocation decision or land grant contract and must be completed within three years from the date of construction commencement.

The State Council has approved, on a trial basis, the launch of a new property tax scheme in selected cities. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. Under the Shanghai Interim Rules of the Trial in Levy of Property Tax on Certain Houses 《上海市開展對部分個人住房徵收房產稅試點的暫行辦法》, among other things, starting on January 28, 2011, (i) Shanghai shall, on a trial basis, levy property taxes on a second or succeeding house in Shanghai which purchased by a local resident family and each house in Shanghai which is purchased by a non-local resident family; (ii) the applicable rate of the property tax is 0.4% or 0.6%, subject to specified circumstances; and (iii) the property tax shall be temporarily payable on the basis of 70% of the transaction value of the taxable house. Moreover, the Shanghai property tax rule provides several measures for tax deduction or exemption, including the rule that if a local resident family's GFA per capita, calculated on the basis of the consolidated living space owned by such family, is not more than 60 sq.m., such family is temporarily exempted from property tax when purchasing a second house or more in Shanghai. This provisional measure was confirmed to remain in force by the Notice on the Continuance in Force of the Notice of Shanghai Municipal Government concerning the Distribution of Provisional Measure on Levying of Property Tax on Part of Individual Residential Properties in Shanghai on a Trial Basis (關於《上海市人民政府關於印發〈上海市開展對部分個人住房徵收房產稅試點的暫行辦法〉的通知》繼續有效的通知) issued by Shanghai Municipal Government on January 3, 2017. Under the measures issued by the Chongqing government on January 27, 2011 and amended in January, 2017, the property tax in trial areas in nine major districts will be imposed on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years and (iii) the first or further ordinary residential properties purchased on or after January 28, 2011 by individuals who are not local residents, or are not employed in and do not own an enterprise in Chongqing, at rates ranging from 0.5% to 1.2% of the purchase price of the property. Furthermore, the Chongqing property tax rule provides several possible deductions or exemptions, including the following: (i) for stand-alone residential properties owned before January 28, 2011, the deduction area is 180 sq.m.; (ii) for newly purchased stand-alone residential properties and high-end residential properties, the deduction area is 100 sq.m.; (iii) the deduction area shall be based on the family unit, and the deduction can only be enjoyed by one family for its single property. In addition, there is no deduction for individuals who are not local residents, not employed in or do not own an enterprise in Chongqing. These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing in imposing property tax on commodity properties, including Beijing, Shenzhen and Hangzhou.

On November 5, 2012, the Ministry of Land and Resources, the MOF, PBOC and CBRC jointly promulgated the Notice on strengthening Land Reserves and Financing Administration 《關於加強土地儲備與融資管理的通知(國土資發[2012]162號)》, in order to strengthen land reserve institutions administration, determine the reasonable scale and structure of land reserves, strengthen the administration of land pre-development, reservation and protection, and regulate the financing of land reserves and the use of land reserve funds. On December 26, 2012, the MOF, or MOF, issued the notice requiring local governments to strictly implement rules relating to the construction and management of low income housing projects. In addition, MOF will provide various measures to support construction of affordable housing in 2013, including measures (1) to ensure that all affordable housing construction financings are strictly confined to permitted financing channels only; and (2) to allow local governmental finance departments to raise funds from housing provident funds, land premium, State-



owned capital operational budgets, local government debts, and to use the funds on projects that need government funding, including public rental housing, low rental housing, and relocation housing projects.

On February 26, 2013, the State Council issued the Notice on Continuing Adjustment and Control of Property Markets 《關於繼續做好房地產市場調控工作的通知》 which requires, among other restrictive measures:

- (i) improving the responsibility system for stabilizing housing prices;

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

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

Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) which have implemented restrictions on the real estate market are required to designate all administrative areas of the cities as restricted areas, and restricted housing shall include new commodity housing and second-hand housing. Non-local residents who possess one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessive rate, local branches of PBOC may further raise the down payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20% tax on house sale profits.

- (iii) expanding ordinary commodity housing units and increasing the supply of land.

The overall housing land supply in 2013 in principle shall not be lower than the average actual land supply in the past five years. Financial institutions, subject to credit requirements, are to prioritize requests for loans for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

On September 29, 2014, the PBOC and the CBRC jointly issued Circular on Further Improving Financial Services for Housing Consumption 《關於進一步做好住房金融服務工作的通知》, which provides that, for a family who buys on loan its first ordinary house for self-use, the minimum percentage of down payment is 30%, and the lower limit of loan interest rate is 70% of the benchmark rate, to be decided by banking financial institutions in light of risk conditions. For a family who has paid up the loan of its first house and applies again to buy on loan an ordinary commodity house for the purpose of improving living conditions, the loan policies for first house shall apply. In cities where the measures of “restrictions on house buying” are lifted or not imposed, for a family who owns two or more houses and has paid up loans for them, and applies to buy another house on loan, banking financial institutions shall decide on the percentage of down payment and interest rate by prudently considering the borrower’s solvency and credit status.

On March 30, 2015, the PBOC, MOHURD and CBRC jointly promulgated the Circular on issues concerning Individual Housing Loan Policies 《關於個人住房貸款政策有關問題的通知》, which provides that, (i) where the household of a resident who owns one house, of which relevant housing loan has not been fully repaid, applies for commercial individual housing loan to purchase an ordinary house for self-living and improving their living conditions, the minimum down payment ratio is adjusted to not less than 40%; (ii) where the household of a worker who pays housing provident fund contributions uses housing provident fund commission loan to purchase the first ordinary house for self-

living, the minimum down payment ratio is 20%; where the household of a worker who owns one house, of which relevant housing loan has been fully repaid, applies for housing provident fund commission loan to purchase an ordinary house for self-living and improving their living conditions, the minimum down payment ratio is 30%.

In August, 2015, the CBRC, the MOF and PBOC jointly issued the Circular on Adjusting the Minimum Down Payment Levels for the Purchase of Houses by Individuals on the 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 lowered the minimum down payment to 20% for the family that owns a residential property and has paid off its existing mortgage loan applying for a second housing reserve loan to buy another residential property to improve living conditions. In Beijing, Shanghai, Guangzhou and Shenzhen, the minimum down payment of applying for housing reserve loan to buy a second residential property can be decided by local government in combination with local reality.

On February 1, 2016, PBOC and CBRC jointly issued the Notice on Issues Concerning Adjusting the Individual Housing Loan Policies 《關於調整個人住房貸款政策有關問題的通知》, which provides that in cities where housing purchase restrictions are not being implemented, the minimum down payment ratio for commercial individual housing loans granted to households for purchasing the first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% at local authority's discretion. For household that owns a residential property and has not fully repaid the existing loan applying for a further personal housing commercial loan to purchase an additional ordinary residential property to improve living conditions, the minimum down payment shall be not less than 30%.

### **Environmental Protection**

The laws and regulations governing the environmental protection requirements for real estate development in China include 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 PRC Administrative Regulations on Environmental Protection for Development Projects 《中華人民共和國建設項目環境保護管理條例》 and the Administrative Measures for Filing the Environmental Impact Registration Form for Construction Projects 《建設項目環境影響登記表備案管理辦法》. Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report and an environmental impact analysis table must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the property development, while the environmental impact registration form shall be filed before the construction project is completed and put into production and operation. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers.

### **Foreign Exchange Controls**

Under the PRC Foreign Currency Administration Rules 《中華人民共和國外匯管理條例》 promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange



proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

On July 4, 2014, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles 《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, or Notice 37, which replaced the Notice on Issues Relating to the Administration of Foreign Exchange for the Financing and Reverse Investment by Domestic Residents via Offshore Special Purpose Vehicles issued by SAFE in October 2005, or Notice 75. Pursuant to Notice 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this Notice as a “special purpose vehicle.” Under Notice 37, the term “PRC institutions” refers to entities with legal person status or other economic organizations established within the territory of the PRC. The term “PRC individual residents” includes all PRC citizens (also including PRC citizens abroad) and foreigners who habitually reside in the PRC for economic benefits. A registered special purpose vehicle is required to amend its SAFE registration in the event of any change of basic information including PRC individual resident shareholder, name, term of operation, or PRC individual resident’s increase or decrease of capital, transfer or exchange of shares, merger, division or other material changes. In addition, if a non-listed special purpose vehicle grants any equity incentives to directors, supervisors or employees of domestic companies under its direct or indirect control, the relevant PRC individual residents could register with the local SAFE branch before exercising such options. The SAFE simultaneously issued a series of guidance to its local branches with respect to the implementation of Notice 37.

On March 30, 2015, SAFE issued the Circular on Reforming the Management Approach Concerning the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises 《關於改革外商投資企業外匯資本金結匯管理方式的通知》, effective as of June 1, 2015, which provides that, (i) the capital of foreign-invested enterprises and capital in Renminbi obtained from foreign exchange settlement shall not be (a) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; (b) directly or indirectly used for investment in securities unless otherwise provided by laws and regulations; (c) directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and (d) used for paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises; (ii) except for transfer of equity investment in the original currency, foreign-invested enterprises with investment as the primary business are permitted to directly settle the foreign exchange capital or transfer the capital in Renminbi in the Account Pending for Foreign Exchange Settlement Payment to the account of invested enterprises based on the actual investment scale on the premise that the domestic investment project is authentic and compliant.

On June 09, 2016, SAFE issued the Circular on Reforming and Regulating the Policies on the Control over Foreign Exchange Settlement of Capital Account 《關於改革和規範資本項目結匯管理政策的通告》 which provides that, among others, (i) foreign invested enterprise may go through the foreign exchange settlement for their foreign debts at its own discretion; (ii) foreign exchange receipts of capital account, including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing, subject to discretionary settlement as expressly prescribed in the relevant policies, provisionally, may be settled up to 100% with banks according to the actual need of domestic enterprises for business operation and (iii) foreign exchange receipts of capital account and the receipt in Renminbi obtained from foreign exchange settlement shall not be (a) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and

regulations; (b) directly or indirectly used for investment in securities unless otherwise provided by law and regulations; (c) used for the granting of loans to non-affiliated enterprises unless otherwise permitted in business scope of licenses; and (d) except for real estate enterprises, used for the construction or purchase of real estate for purposes other than self-use.

## **PRC Taxation**

Because we are not incorporated in the PRC, your investment in our Notes is largely exempt from PRC tax laws, except as disclosed in the section entitled “Risk Factors — We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes,” and “Taxation — PRC Taxation.” But because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries and joint ventures organized under the PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in our shares.

### ***Dividends from Our PRC Operations***

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the PRC Enterprise Income Tax Law, effective on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and its implementation rules which became effective on January 1, 2008, dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to withholding tax at a rate of 10%, unless lower treaty rate is applicable.

Under the PRC Enterprise Income Tax Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the PRC Enterprise Income Tax Law, “de facto management bodies” are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

### ***Our Operations in Mainland China***

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

*Deed Tax.* Under the PRC Interim Regulation on Deed Tax 《中華人民共和國契稅暫行條例》, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- sale, gift and exchange of real properties.

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions. In October 2008, the MOF and the SAT issued the Notice on the Adjustments to Taxation on Real Property Transactions 《關於調整房地產交易環節稅收政策的通知》, pursuant to which, since November 1, 2008, the rate of deed tax has been reduced to 1% for a first-time home buyer of an ordinary residence with a unit floor area less than 90 sq.m.; individuals who sell or purchase residential properties are temporarily exempted from stamp duty and those who sell residential properties are temporarily exempted from land value-added tax. However, the aforesaid preferential policy regarding deed tax has been replaced by the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property 《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》 jointly promulgated by the MOF, the SAT and MOHURD on September 29, 2010, pursuant to which, in the case that an individual purchases an ordinary house which is the only house for the family (including the purchaser, the spouse and minor children), deed tax is reduced by half; in the case that an individual purchases an ordinary house with an GFA of 90 sq.m. or below, which is the only house for the family, deed tax is levied at a rate of 1%.

*Enterprise Income Tax.* Prior to the PRC 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 PRC Enterprise Income Tax Law, effective from January 1, 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises. The PRC Enterprise Income Tax Law and its implementation rules provide certain relief to enterprises that were established prior to March 16, 2007, including (1) continuously enjoying the preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rate before the effectiveness of the PRC Enterprise Income Tax Law; (2) continuously enjoying the preferential income tax rate until its expiry if such enterprises are entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment has not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment shall be deemed to commence from January 1, 2008 and expire on December 31, 2013. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. Under the PRC Enterprise Income Tax Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the PRC Enterprise Income Tax Law, “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. There is uncertainty as to how this law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》, signed on August 21, 2006 and applicable, in Hong Kong, to income derived in any year of assessment commencing on or after April 1, 2007 and, in Mainland China, to any year commencing on or after January 1, 2006, a company incorporated in Hong Kong is subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries, if it holds a 25% or more equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. On August 27, 2015, SAT released the Announcement on Promulgating the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Taxation Treaties 《關於發布〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》 effective on November 1, 2015, which provides that any non-resident taxpayer meeting requirements for enjoying preferential treatment under the Tax Conventions or International Transportation Conventions may be entitled to such preferential treatment himself/herself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. In order to clarify the responsibility of the relevant tax

authorities to implement the above announcement, SAT issued the Administration Rules for Non-resident Taxpayers to Enjoy the Treatment Under Taxation Treaties (trial) 《非居民納稅人享受稅收協定待遇管理規程(試行)》 on October 29, 2015, effective on November 1, 2015.

On March 6, 2009, SAT issued the Measures for Dealing with Income Tax of Enterprise Engaged in Real Estate Development and Operation 《房地產開發經營業務企業所得稅處理辦法》 effective on January 1, 2008, amended in 2014 and 2018, which specifically stipulates the rules regarding tax treatment of income and deduction of cost and fees, verification of calculated tax cost and tax treatment on certain matters of the real estate development enterprise according to the Enterprise Income Tax Law and its implementation rules.

*Value Added Tax.* Under the PRC Interim Regulations on Business Tax 《中華人民共和國營業稅暫行條例》 of 1994, as amended in 2008, services in mainland China are subject to business tax. Taxable services include sale of real property in mainland China. Business tax rate is between 3% to 20% depending on the type of services provided. Sale of real properties and other improvements on the land attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities. Pursuant to The Decision of the State Council on Abolishing the PRC Interim Regulations on Business Tax and Amending the PRC Interim Regulations on Value-Added Tax 《國務院關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》 issued and implemented on November 19, 2017 by the State Council, the State Council has decided to abolish the PRC Interim Regulations on Business Tax and introduced the following amendments to the PRC Interim Regulations on Value-Added Tax at the same time. Under the PRC Interim Regulations on Value-Added Tax 《中華人民共和國增值稅暫行條例》 promulgated by the State Council in December 1993 and amended in November 2008, February 2016 and November 2017, all units and individuals engaged in the sale of goods, provision of processing, repairs and replacement services, sales services, intangible properties, real estate, and the importation of goods within the PRC are taxpayers of the value added tax, and should pay value added tax. value added tax rate is between 3% to 17% depending on the type of taxable sales activities provided. To provide services related to transportation, postal, telecom, construction, real estate leasing service, selling real estate, transferring land use right, the tax rate is 11%.

However, on March 23, 2016, MOF and SAT issued Notice on Adjustment of Transforming Business Tax to Appreciation Tax 《關於全面推開營業稅改增值稅試點的通知》, implemented on May 1, 2016, which provides that the sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by a general taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving advance payment.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers 《房地產開發企業銷售自行開發的房地產專案增值稅徵收管理暫行辦法》 issued on March 31, 2016 and implemented on May 1, 2016 by SAT, VAT is payable by real estate developers in the calendar month immediately following receipt of presale proceeds of real estate self-development in accordance with a given formula. The applicable rate is 11%. Nevertheless, for developers conducting old real estate projects and who have chosen to apply the simplified tax method, the simplified rate of 5% will be applied in calculating the prepaid VAT. The simplified tax method will be applicable for 36 months once chosen.

VAT is payable by taxpayers in the calendar month immediately following receipt of presale proceeds of real estate self-development in accordance with a given formula. The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and who have chosen to apply the simplified tax method, the simplified rate of 5% will be applied in calculating the prepaid VAT. Once the simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects with no commencement dates not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016, but have not yet received Construction Permits.

Pursuant to the Circular on Value-Added Tax Policies for Financial, Real Estate Development, Education Ancillary Service and Other Services 《關於明確金融、房地產開發、教育輔助服務等增值稅政策的通知》 jointly issued by SAT and MOF, on December 21, 2016, effective on May 1, 2016, except for choosing the simplified tax method, when the general taxpayer sells real estate project developed by itself, the compensation for demolition paid to other companies or individuals upon land acquisition is permitted to be deducted for the purpose of calculation the sales income. Besides, if a real estate developer establishes a project company to develop the granted land after paying the land premium, the project company, for the purpose of calculation the sales income, may deduct the land premium that has been paid by the real estate developer if fulfilling the relevant requirements of changing the grantee of the land use right.

*Land Appreciation Tax.* Under the PRC Interim Regulation on Land Appreciation Tax 《中華人民共和國土地增值稅暫行條例》 of 1994 and its implementation rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the “deductible items” that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with the land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use rights, buildings or other facilities on such land; and
- other items allowed by the MOF.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value as compared to the “deductible items” 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 (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the state; and



- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities' approval.

According to a notice issued by the MOF in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and
- first time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the land grant contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the MOF, the SAT, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership certificates.

The State Administration of Taxation issued a further notice in July 2002 to require local tax authorities to require prepayment of LAT on the basis of proceeds from pre-sales of real estate.

In December 2006, the State Administration of Taxation issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises 《關於房地產開發企業土地增值稅清算管理有關問題通知》, which came into effect on February 1, 2007. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the Rules on the Administration of the Settlement of Land Appreciation Tax 《土地增值稅清算管理規程》, which came into force on June 1, 2009.

In May 2010, the State Administration of Taxation issued the Circular on Settlement of Land Appreciation Tax 《關於土地增值稅清算有關問題的通知》 to strengthen the settlement of LAT. The circular clarifies certain issues with respect to the calculation and settlement of LAT, such as (i) the recognition of the revenue upon the settlement of LAT; and (ii) the deduction of fees incurred in connection with the property development.

In May 2010, the State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax 《關於加強土地增值稅徵管工作的通知》, which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region of China, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the property type.

*Urban Land Use Tax.* Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land 《中華人民共和國城鎮土地使用稅暫行條例》 promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant



land. The annual tax on urban land was between RMB0.2 and RMB10 per square meter. An amendment by the State Council in December 2006 changed the annual tax rate to between RMB0.6 and RMB30 per square meter of urban land.

*Buildings Tax.* Under the PRC Interim Regulations on Buildings Tax 《中華人民共和國房產稅暫行條例》 promulgated by the State Council in September 1986, as amended in January 2011, buildings tax applicable to domestic enterprises is 1.2%, if it is calculated on the basis of the residual value of a building, and 12%, if it is calculated on the basis of the rental.

According to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals 《關於對外資企業及外籍個人徵收房產稅有關問題的通知》, the foreign-invested enterprises, foreign enterprises and foreign individuals are to be levied the same as domestic enterprises.

*Stamp Duty.* Under the PRC Interim Regulations on Stamp Duty 《中華人民共和國印花稅暫行條例》 promulgated by the State Council in August 1988, as amended in January 2011, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB5 per item.

*Municipal Maintenance Tax.* Under the PRC Interim Regulations on Municipal Maintenance Tax 《中華人民共和國城市維護建設稅暫行條例》 promulgated by the State Council in 1985, as amended on January 8, 2011, a taxpayer, whether an individual or otherwise, of a product tax, value-added tax or business tax is required to pay a municipal maintenance tax, calculated on the basis of product tax, value-added tax and business 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 or county or town. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises issued by the State Administration of Taxation in February 1994, the municipal maintenance tax is not applicable to foreign invested enterprises for the time being, until further explicit stipulations are issued by the State Council.

In October 2010, the State Council issued the Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals 《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》, pursuant to which, from December 1, 2010, a municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals, as well as domestic enterprises and individuals.

Pursuant to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises 《關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》 promulgated by the MOF and the SAT in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

*Education Surcharge.* Under the Interim Provisions on Imposition of Education Surcharge 《徵收教育費附加的暫行規定》 promulgated by the State Council in April 1986, and amended in 1990, August 2005 and January 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. The Education Surcharge rate is 3%, calculated on the basis of consumption tax, value-added tax and business tax. Under the Circular Concerning Temporary Exemption from

Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises issued by the State Administration of Taxation in February 1994 and the Supplementary Circular Concerning Imposition of Education Surcharge issued by the State Council in October 1994, the education surcharge is not applicable to foreign invested enterprises for the time being.

Pursuant to the aforesaid Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals 《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》, from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals, as well as domestic enterprises and individuals.

Pursuant to the aforesaid Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises 《關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》, foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

### **Cayman Islands Taxation**

The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties that are applicable to any payments made by or to the Company.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of the Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with the Company (the “**Undertaking as to Tax Concessions**”):

- that no law which is 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 in part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from July 4, 2006.

## MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of June 30, 2018.

Name	Age	Title
Hui Ka Yan . . . . .	59	Chairman of the board and executive director
Xia Haijun . . . . .	53	Executive director and chief executive officer
He Miaoling . . . . .	52	Executive director and vice president
Shi Junping . . . . .	34	Executive director and vice president
Pan Darong . . . . .	44	Executive director and chief financial officer
Huang Xiangui . . . . .	47	Executive director and general manager of Hong Kong company
Chau Shing Yim, David	54	Independent non-executive director
He Qi . . . . .	62	Independent non-executive director
Xie Hongxi . . . . .	59	Independent non-executive director
Qiu Huofa . . . . .	57	Executive vice president
Zhen Litao . . . . .	49	President of real estate group
Siu Shawn . . . . .	46	Chairman of the tourism group
Shi Shouming . . . . .	43	Chairman of health industry group
Liu Yongzhuo . . . . .	38	Executive Vice President of high-tech Group
Fong Kar Chun, Jimmy	43	Company secretary

### Directors

Our board of directors consists of nine directors, three of whom are independent non-executive directors. The powers and duties of our board include:

- convening shareholders' meetings and reporting the board's work at the shareholders' meetings;
- implementing the resolutions passed at the shareholders' meetings;
- determining our business plans and investment plans;
- formulating our annual budget and final accounts;
- formulating our proposals for profit distributions and for the increase or reduction of our share capital; and
- exercising other powers, functions and duties as conferred by our memorandum and articles of association.

We have entered into service contracts with each of our executive directors and independent non-executive directors.

We operate our business in a centralized manner. Our corporate headquarters maintain overall control in management and operations of all our subsidiaries. The directors of our various project companies are appointed by our corporate headquarters primarily on the basis of their business expertise, management skills and local knowledge and for the purpose of complying with the various local PRC administrative requirements. These project company directors have limited powers and are required to report to and seek approvals from our headquarters on matters of significance. Our centralized corporate structure frees our senior executives up from the day-to-day administrative functions of our subsidiaries and allow them to focus on our overall business development and operations.

A description of the business experience and present employment of each of our directors is provided below.

### **Board of directors**

**Hui Ka Yan** (許家印), age 59, has served as chairman of our group since 1996. Dr. Hui was elected an executive director of our company on June 26, 2006. Dr. Hui is responsible for formulating the overall development strategies of our group. Dr. Hui is also the sole director of our Original Shareholder. Dr. Hui has over 30 years of experience in real estate investment, property development and corporate management. Prior to founding our company, he held management positions with a number of entities including Wuyang Iron and Steel Co., Ltd. and Guangzhou Pengda Group Company Limited. Currently Dr. Hui is a member of the 12th Standing Committee of the Chinese People's Political Consultative Conference. In addition, Dr. Hui also serves as a vice-chairman of the China Enterprise Confederation, China Enterprise Directors Association and China Real Estate Association. He was accredited as a "National Model Worker" (one of the highest civilian honors in China) by the State Council. He graduated from Wuhan University of Science and Technology with a bachelor's degree in metallurgy in 1982, and was awarded an honorary doctorate degree in commerce by the University of West Alabama in 2008. Dr. Hui has also been an adjunct professor at Wuhan University of Science and Technology since 2003 and was recently engaged to be the supervisor of PhD candidates. Dr. Hui was a director of Lujing Real Estate Limited, which was formerly known as Hengda Real Estate Corporation Limited (恒大地產股份有限公司), a company listed on the Shenzhen Stock Exchange, from November 2002 to November 2005 and has not otherwise been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

**Xia Haijun** (夏海鈞), age 53, is our chief executive officer and executive director. Dr. Xia has over 20 years of experience in property development and corporate management, and is accredited as a senior economist in China. Dr. Xia is mainly in charge of the daily management of our nationwide business operations, including business expansion, procurement, marketing and corporate brand promotion, investor relations, accounts, construction and property management. Dr. Xia joined us in June 2007 as our chief executive officer and was elected an executive director on March 6, 2008. Dr. Xia worked for subsidiaries of CITIC Group between 1990 and 2003 and was an executive vice general manager of CITIC South China (Group) Co., Ltd. between 2000 and 2003. Dr. Xia graduated from Jinan University with a master's degree in business administration in 1998 and a doctor's degree in industrial economy in 2001. Dr. Xia has not been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

### **Executive directors**

**He Miaoling** (何妙玲), age 52, is our executive director and vice president. Ms. He was our executive director from October 2009 till June 2012 and is now re-elected an executive director on May 1, 2014. Ms. He has more than 16 years of experience in marketing strategies and brand promotion in the property industry. She joined us in August 1997. Ms. He is currently responsible for our real estate projects marketing management and business administration. Prior to joining us, Ms. He worked at Guangdong Petrochemical Construction Group Corporation from 1989 to 1997. She graduated from South China University of Technology with a bachelor's degree in applied mathematics in 1989 and received a master's degree in engineering management in 2011. Ms. He has not been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

**Shi Junping** (史俊平), age 34, is our executive director and vice president. Mr. Shi has over 11 years of experience in property development and operation management. Mr. Shi joined the Group in 2006 and previously served as one of our vice presidents responsible for the administration, party-civilian building and brand strategic operations of the Group. Mr. Shi graduated from Hubei University and Wuhan University of Science and Technology with a bachelor's degree in arts, a bachelor's degree

in law and a master's degree in engineering management. Mr. Shi has not been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

**Pan Darong** (潘大榮), age 44, is our executive director and chief financial officer. Mr. Pan is responsible for accounting and capital management of our Group. He has over 22 years of experience in auditing, accounting and finance. He graduated from the investment and economics faculty of Zhongnan University of Economics, Politics and Law with a bachelor's degree in economics and is a certified public accountant in China. Mr. Pan has not been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

**Huang Xiangui** (黃賢貴), age 47, is our executive director and general manager of the Hong Kong Company. Mr. Huang was elected an executive director on February 14, 2014. Mr. Huang has over 19 years of experience in marketing, human resource management, foreign capital operation and management. He joined us in December 2004. Mr. Huang is currently responsible for our international operations and capital investment management. He graduated from Harbin Engineering University with a bachelor's degree in chemical engineering in 1996 and received a master's degree of science in banking and finance from the University of Stirling in 2004. Mr. Huang is also currently an executive director of HengTen Networks Group Limited.

### **Independent non-executive directors**

**Chau Shing Yim, David** (周承炎), age 54, is our independent non-executive director. Mr. Chau was elected an independent non-executive director on October 14, 2009. Mr. Chau has over 24 years of experience in corporate finance, working on projects ranging from initial public offerings and restructuring of PRC enterprises for cross-border and domestic takeovers. He was formerly a partner of Deloitte Touche Tohmatsu in Hong Kong, heading the merger and acquisition and corporate advisory services. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales, or ICAEW, with the Corporate Finance Qualification granted by ICAEW, and the Hong Kong Institute of Certified Public Accountants, or HKICPA. Mr. Chau was an ex-committee member of the Disciplinary Panel of HKICPA. He is an executive director of Tidetime Sun (Group) Holdings Limited and an independent non-executive director of Lee & Man Paper Manufacturing Limited, Shandong Molong Petroleum Machinery Company Limited, Evergrande Health Industry Group Limited, HengTen Networks Group Limited, and Varitronix International Limited, and the shares of all these companies are listed on the Hong Kong Stock Exchange.

**He Qi** (何琦), age 62, is our independent non-executive director. Mr. He was elected an independent non-executive director on October 14, 2009. Mr. He is the deputy secretary of China Real Estate Association, as well as the director of the training center and the intermediary professional committee of the China Real Estate Association. He worked in the State Infrastructure Commission of the State City Construction General Bureau from 1981 to 1994. He was an executive of the Development Center of the China Real Estate Association from 1995 to 1999, and an executive deputy mayor of Ji'an City of Jiangxi Province from 1999 to 2001. He has been the deputy secretary of the China Real Estate Association from 2006 to now.

**Xie Hongxi** (謝紅希), age 59, is our independent non-executive director. Ms. Xie is currently the deputy director, senior engineer and master degree instructor at the Engineering Training and National Experiment, Education and Demonstration Center of South China University of Technology. From 1982 to 2002, she worked at the Guangzhou Non-ferrous Metal Research Institute, chaired or participated in a number of major research projects, and was previously awarded the National Science and Technology Progress Award and the Science and Technology Achievement Award. Since 2002, she has been teaching at the South China University of Technology, engaging in operations management, teaching experimental studies at the undergraduate level and conducting research in the direction of metal surface technology. She has won provincial level awards, the university teaching achievement award and the outstanding teaching award.

## Senior management

**Qiu Huofa** (邱火發), age 57, our executive vice president. Mr. Qiu is responsible for the daily operation and management of our finance group. He has over 37 years of experience in finance industry and banking system management. He holds a master's degree in finance and is an accredited senior economist in China.

**Zhen Litao** (甄立濤), aged 49, is president of our real estate group. Mr. Zhen is responsible for the daily management of the Company. He has over 26 years of experience in development, operation and management of real estate projects. He joined us in 2009. Mr. Zhen holds a master's degree in business management and is a registered PRC constructor and senior engineer.

**Siu Shawn** (肖恩), age 46, is our chairman of our tourism group. Mr. Siu joined us in November 2013. He received a master's degree in economic law from Southwest University of Political Science and Law.

**Shi Shouming** (時守明), age 43, is chairman of our health industry group. Mr. Shi is responsible for the daily management of our real estate groups and has more than 19 years of experience in real estate, project development and operations management. Mr. Shi holds a Bachelor's degree in engineering and is a Certified Public Accountant.

**Liu Yongzhuo** (劉永灼), aged 38, executive vice president of our high-tech group. He is responsible for the Group's technology businesses. He has over 16 years of experience in human resources management, investment in and operation of real estate projects, and operation and management of multi-industry companies. He holds a master's degree in engineering management.

## Company secretary

**Fong Kar Chun, Jimmy** (方家俊), age 43, is our company secretary. He also serves as the company secretary of Evergrande Health Industry Group Limited and HengTen Networks Group Limited. Mr. Fong has been a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 2001. Mr. Fong joined us in June 2009. He is responsible for our investor relations and foreign legal affairs of our group. Mr. Fong was awarded the Bachelor of Laws degree and the Postgraduate Certificate in Laws in 1997 and 1998, respectively, from the University of Hong Kong. Mr. Fong was also awarded a master's degree in banking and finance law in 2000 from the London School of Economics and Political Science.

## Audit committee

We have established an audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee will be to review and supervise our financial reporting process and internal control system and provide advice and comments to our Board. The audit committee consists of three members who are our independent non-executive directors. The chairman of the audit committee is Chau Shing Yim, David.

## Remuneration committee

We have established a remuneration committee which consists of Dr. Hui, Xie Hongxi, and He Qi. He Qi has been appointed as the chairman of the remuneration committee. The remuneration committee considers and recommends to our board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our directors and senior management is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.



**Nomination committee**

We have established a nomination committee which consists of Dr. Hui, He Qi and Chau Shing Yim, David. Dr. Hui has been appointed as the chairman of the nomination committee. The nomination committee considers and recommends to our board suitably qualified persons to become our board members and is responsible for reviewing the structure, size and composition of our board on a regular basis.

## SUBSTANTIAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of June 30, 2018 by those persons who beneficially own more than 5% of our outstanding shares and underlying shares, as recorded in the register maintained by us pursuant to Part XV of the Hong Kong Securities and Futures Ordinance (Chapter 571), or the SFO.

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number and class of securities</u>	<u>Approximate shareholding percentage</u>
Ding Yumei . . . . .	Interest in controlled corporation	10,162,119,735 <i>(Note 2)</i>	77.17 <i>(Note 1)</i>
Xin Xin (BVI) Limited. . .	Beneficial owner	9,370,871,497 <i>(Note 3)</i>	71.16
Yaohua Limited . . . . .	Interest in controlled corporation	791,248,238 <i>(Note 4)</i>	6.01
Even Honour Holdings Limited . . . . .	Beneficial owner	791,248,238 <i>(Note 4)</i>	6.01

*Notes:*

1. Calculated on the basis of 13,181,638,900 Shares in issue as of June 30, 2018.
2. Of the 10,162,119,735 Shares held, (i) 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Mr. Hui Ka Yan, and (ii) 791,248,238 Shares were held by a company wholly owned by Ms. Deng Yumei, the spouse of Mr. Hui Ka Yan.
3. Xin Xin (BVI) Limited is wholly owned by Mr. Hui Ka Yan.
4. Even Honour Holdings Limited a wholly owned subsidiary of Yaohua Limited which in turn is wholly owned by Ms. Ding Yumei.

## RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and substantial shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules, which require that certain “connected transactions” with “connected persons” be approved by a company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year ended December 31,			Six months ended
	2015	2016	2017	June 30,
	(RMB)	(RMB) (in million)	(RMB)	2018 (RMB) (in million)
Due from related parties <sup>(1)</sup> — total . . . . .	2,262	2,042	5,514	15,182
Due to related parties <sup>(1)</sup> — total . . . . .	1,299	4,358	3,912	25,870
Directors’ emoluments . . . . .	208	321	339	N/A
Key management compensation				
— Salaries and other short-term employee benefits . . . . .	318	654	841	569
— Retirement scheme contributions . . . . .	1	2	3	—
	319	656	844	569
Revenue				
— Management and consulting service to joint ventures . . . . .	—	—	—	900
— Sales of goods to associates <sup>(2)</sup> . . . . .	77	101	—	—
— Provision of services to associates <sup>(2)</sup> . . . . .	—	16	—	—
— Sales of goods to joint ventures <sup>(2)</sup> . . . . .	—	39	622	244
— Provision of services to a joint venture . . . . .	23	36	47	70
— Rental income from joint ventures <sup>(2)</sup> . . . . .	4	6	24	69
	104	198	693	1,283
Cost				
— Advertisement service fee charged by joint ventures <sup>(2)</sup> . . . . .	39	267	286	170
— Rental fee charged by joint ventures . . . . .	—	24	50	25
— Purchase of goods from joint ventures <sup>(2)</sup> . . . . .	77	10	6	31
— Loan interests by an associate and a joint venture . . . . .	—	232	599	796
	116	533	941	1,022

*Notes:*

(1) The balances are cash in advance in nature and are unsecured, interest-free and repayable on demand.

(2) Such revenue and cost were charged in accordance with term of the underlying agreements.

## 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, such as banks, financial limited companies, trust companies and assets management companies. As of June 30, 2018, our total external borrowings amounted to RMB671,129 million (US\$101,423 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness. See “Risk Factors — Risks Relating to the Notes — If we are unable to comply with the restrictions and covenants in our debt agreements or the Indentures, there could be a default under the terms of these agreements or the Indentures, which could cause repayment of our debt to be accelerated.”

Since June 30, 2018, we have also incurred additional debt in the ordinary course of business to finance our operations and to refinance our short-term debt. Subsequent to June 30, 2018 and up to January 18, 2018, we incurred additional borrowings (net of repayments) in the aggregate amount of less than RMB30 billion.

### **Project Loan Agreements**

Certain of our PRC subsidiaries have entered into loan agreements or entrusted loan agreements with various PRC banks and financial limited companies. The banks include, but are not limited to, Industrial and Commercial Bank of China (“**ICBC**”), China CITIC Bank, Hengfeng Bank, China Minsheng Bank, Huaxia Bank, Agricultural Bank of China, Bank of Chengdu and Bank of Jinzhou. These loans are project loans to finance the construction of our projects and have terms ranging from 24 months to 60 months, which generally correspond to the construction periods of the particular projects. As of June 30, 2018, the aggregate outstanding amount under these project loans totaled approximately RMB251,556 million (US\$38,016 million), RMB120,830 million (US\$18,260 million) of which was due within one year and RMB130,726 million (US\$19,756 million) of which was due between one and five years. Subsequent to June 30, 2018, we entered into additional project loan agreements in the ordinary course of business to finance our operations in the aggregate amount of approximately RMB46.1 billion (US\$7.0 billion).

Our project loans are typically secured by land use rights, properties and pledges over shares and assets of such project companies, as well as guaranteed by certain of our other PRC subsidiaries. The Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) will be structurally subordinated to these loans and any other indebtedness incurred by our PRC Subsidiaries.

### ***Interest***

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank’s benchmark interest rate per annum. Floating interest rates generally are subject to review by the lending banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2018, the weighted average interest rate on the aggregate outstanding amount of our project loans was 6.51% per annum.

### ***Covenants***

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the relevant lenders’ prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;

- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect the ability to repay loans; and
- transfer part or all of their liabilities under the loans to a third party.

### ***Events of Default***

The project loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

### ***Guarantee and Security***

Certain of our PRC subsidiaries and our Company have entered into guarantee agreements with the PRC financial institutions in connection with some of the project loans pursuant to which these subsidiaries and our Company have guaranteed all liabilities of the subsidiary borrowers under these project loans. Under certain guarantee agreements, we must obtain the bank's approval before such guarantors can engage in debt financing and equity financing through direct financing markets, and any selling, gifting, leasing, transferring, mortgaging, pledging and other methods of disposal of part or all of its material assets.

### ***Dividend Restrictions***

Pursuant to the project loans with certain PRC financial institutions, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- before the principal amount of and accrued interest on the relevant project loan have been fully paid;
- if the distribution is more than 30% of after-tax net profit of the current year or more than 20% of all the undistributed profits; or
- if the borrower's after-tax profit is nil or negative.

### **Trust Financing Agreements**

From time to time, we may enter into financing arrangements with trust companies pursuant to which we receive financing from trust companies in the PRC. Upon the receipt of the financed amount from a trust company, we may transfer the title to less than 50% of the shares in one of our PRC subsidiaries and pledge the remaining shares of such subsidiary. Alternatively, we may pledge 100% of the shares of such subsidiary without transferring title to any such shares. These trust financing arrangements are typically guaranteed by the Company and/or certain PRC subsidiaries and/or are mortgaged by land use rights and/or buildings and have a term of 1–2 years, at the end of which, we will repay the financed amount. Upon such repayment, the trust company will transfer back to us the title to all of the shares of the relevant subsidiary. We typically have an option for early repayment of the financed amount after a specified period of time. These financing agreements contain customary events of default, including non-payment of principal or interest and breaches of the terms of the agreement. Certain trust financing agreements contain provision of dividend restriction. If an event of default has occurred, the trust company may, with prior notice, exercise its rights to realize the security held under the share pledge and/or the mortgage and demand payment from our Company or our PRC

subsidiaries as guarantor of the financed amount. As of June 30, 2018, the aggregate outstanding amount (excluding interest) under these financing arrangements totaled approximately RMB303,783 million (US\$45,909 million).

Subsequent to June 30, 2018, we entered into additional trust financing agreements in the ordinary course of business to finance our operations. The major trust financing arrangements entered into since June 30, 2018 include agreements for outstanding principal amounts of RMB17.0 million, RMB13.2 million, RMB12.0 million, RMB10.9 million, RMB10.3 million, RMB10.0 million and RMB10.0 million with various trust companies.

## **Financial Guarantees**

### *Customer Guarantees*

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of June 30, 2018, the aggregate outstanding amount guaranteed was RMB349,975 million (US\$52,889 million).

### *Guarantees for Borrowings of Cooperation Parties*

We also provide guarantees for certain of our cooperation parties, who are mainly construction subcontractors that are independent third parties, to obtain borrowings after assessing their credit history. As of June 30, 2018, the aggregate outstanding amount guaranteed was RMB11,651 million (US\$1,761 million).

## **Commitments for Property Development Expenditure**

As of June 30, 2018, we have contracted but not provided for the following commitments for property development expenditure: (1) property development activities of RMB211,241 million (US\$31,924 million), (2) acquisition of land use rights of RMB83,050 million (US\$12,551 million) and (3) acquisition of subsidiaries of RMB7,539 million (US\$1,139 million).

## **PRC Corporate Bonds**

During the end of June and the beginning of July 2015, we issued 5.38% five-year PRC corporate bonds in the aggregate principal amount of RMB5.0 billion, 5.30% four-year PRC corporate bonds in the aggregate principal amount of RMB6.8 billion and 6.98% seven-year PRC corporate bonds in the aggregate principal amount of RMB8.2 billion. On October 15, 2015, we further issued 7.38% five-year non-public PRC corporate bonds in the aggregate principal amount of RMB17.5 billion and 7.88% five-year non-public PRC corporate bonds in the aggregate principal amount of RMB2.5 billion. On January 7, 2016, we issued 6.98% four-year non-public PRC corporate bonds in the aggregate principal amount of RMB10 billion. On July 29, 2016, we also issued 6.8% three-year non-public PRC corporate bonds in the aggregate principal amount of RMB4.2 billion.

## **OFFSHORE FINANCING**

### **The 2024 Notes**

On March 29, 2017, we entered into an indenture, as amended and supplemented, or the 2024 Indenture, pursuant to which we issued an aggregate principal amount of US\$1,000,000,000 9.50% Senior Notes due 2024, or the 2024 Notes. The 2024 Notes are listed on the SGX-ST.



As of the date of this offering memorandum, we had a total amount of US\$1,000,000,000 principal amount of 2024 Notes outstanding.

### ***Guarantee***

The obligations pursuant to the 2024 Notes are guaranteed by our existing subsidiaries, or the 2024 Subsidiary Guarantors, other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2024 Indenture. We refer to these guarantees as the 2024 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a 2024 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or 2024 JV Subsidiary Guarantee. We refer to the subsidiaries providing a 2024 JV Subsidiary Guarantee as 2024 JV Subsidiary Guarantors.

Each of the 2024 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2024 Notes.

### ***Collateral***

In order to secure the obligations under the 2024 Notes, we and the initial 2024 Subsidiary Guarantors under the 2024 Indenture pledged the share or capital stock of substantially all of such initial 2024 Subsidiary Guarantors for the benefit of the holders of the 2024 Notes, or the 2024 Collateral. The 2024 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each 2024 Subsidiary Guarantor which pledged share or capital stock under the 2024 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2024 Notes and the related subsidiary guarantees.

### ***Interest***

The 2024 Notes bear an interest rate of 9.50% *per annum*. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the 2024 Indenture and each of the related 2024 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred shares;
- declaring dividends on shares or purchasing or redeeming shares;
- making investments or other specified restricted payments;
- issuing or selling shares of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;

- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of default***

The 2024 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2024 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the 2024 Indenture. If an event of default occurs and is continuing, the trustee under the 2024 Indenture or the holders of at least 25% of the outstanding 2024 Notes may declare the principal of the 2024 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any), and accrued and unpaid interest on the outstanding 2024 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2024 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the date of repurchase.

***Maturity and redemption***

The maturity of the 2024 Notes is March 29, 2024.

On or after March 29, 2021, we may on any one or more occasions redeem all or any part of the 2024 Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2024 Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on March 29 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2021 . . . . .	104.75%
2022 . . . . .	102.375%
2023 and thereafter . . . . .	100%

At any time prior to March 29, 2021, we may at our option redeem the 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2024 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time prior to March 29, 2021, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the 2024 Notes at a redemption price equal to 109.5% of the principal amount of the 2024 Notes, plus any accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the 2024 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the closing of the related sale of the Company's shares and subject to certain conditions.

## **The June 2023 Notes**

On June 28, 2017, we entered into an indenture (the “**June 2023 Indenture**”), pursuant to which we issued an aggregate principal amount of US\$1,344,921,000 7.50% Senior Notes due 2023 (the “**June 2023 Notes**”). The June 2023 Notes are listed on the SGX-ST.

As of the date of this Offering Memorandum we had a total amount of US\$1,344,921,000 principal amount of the June 2023 Notes outstanding.

### ***Guarantee***

The obligations pursuant to the June 2023 Notes are guaranteed by our existing subsidiaries (the “**June 2023 Subsidiary Guarantors**”), other than those organized under the laws of the PRC and certain other subsidiaries specified under the June 2023 Indenture. We refer to these guarantees as the June 2023 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a June 2023 subsidiary guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee or a JV Subsidiary Guarantee. We refer to the subsidiaries providing a June 2023 JV Subsidiary Guarantee as June 2023 JV Subsidiary Guarantors.

Each of the June 2023 Subsidiary Guarantors and June 2023 JV Subsidiary Guarantors (if any) will, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the June 2023 Notes.

### ***Collateral***

In order to secure the obligations under the June 2023 Notes, we and the initial June 2023 Subsidiary Guarantors under the June 2023 Indenture pledged the share or capital stock of substantially all of such initial June 2023 Subsidiary Guarantors for the benefit of the holders of the June 2023 Notes, or the June 2023 Collateral. The June 2023 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each June 2023 Subsidiary Guarantor which pledged share or capital stock under the June 2023 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the June 2023 Notes and the related subsidiary guarantees.

### ***Interest***

The June 2023 Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the June 2023 Indenture, each of the related June 2023 Subsidiary Guarantees and June 2023 JV Subsidiary Guarantees (if any) contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchase or redeem capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of restricted subsidiaries;
- guaranteeing indebtedness of restricted subsidiaries;

- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of default***

The June 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the June 2023 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the June 2023 Indenture. If an event of default occurs and is continuing, the trustee under the June 2023 Indenture or the holders of at least 25% of the outstanding June 2023 Notes may declare the principal of the June 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any), and accrued and unpaid interest on the outstanding June 2023 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding June 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the date of repurchase.

***Maturity and redemption***

The maturity of the June 2023 Notes June 28, 2023.

On or after June 28, 2020, we may on any one or more occasions redeem all or any part of the June 2023 Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the June 2023 Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on June 28 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2020 . . . . .	103.75%
2021 . . . . .	101.875%
2022 and thereafter . . . . .	100.0%

At any time prior to June 28, 2020, we may at our option redeem the June 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the June 2023 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time prior to June 28, 2020, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the June 2023 Notes at a redemption price equal to 107.50% of the principal amount of the June 2023 Notes, plus any accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the June 2023 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the closing of the related sale of the Company's shares and subject to certain conditions.

### **The 2025 Notes**

On June 28, 2017, we entered into an indenture (the "**2025 Indenture**"), pursuant to which we issued an aggregate principal amount of US\$4,680,476,000 8.75% Senior Notes due 2025 (the "**2025 Notes**"). The 2025 Notes are listed on the SGX-ST.

As of the date of this Offering Memorandum we had a total amount of US\$4,680,476,000 principal amount of the 2025 Notes outstanding.

### ***Guarantee***

The obligations pursuant to the 2025 Notes are guaranteed by our existing subsidiaries (the "**2025 Subsidiary Guarantors**"), other than those organized under the laws of the PRC and certain other subsidiaries specified under the 2025 Indenture. We refer to these guarantees as the 2025 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a 2025 subsidiary guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee or a JV Subsidiary Guarantee. We refer to the subsidiaries providing a 2025 JV Subsidiary Guarantee as 2025 JV Subsidiary Guarantors.

Each of the 2025 Subsidiary Guarantors and 2025 JV Subsidiary Guarantors (if any) will, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2025 Notes.

### ***Collateral***

In order to secure the obligations under the 2025 Notes, we and the initial 2025 Subsidiary Guarantors under the June 2023 Indenture pledged the share or capital stock of substantially all of such initial 2025 Subsidiary Guarantors for the benefit of the holders of the 2025 Notes, or the 2025 Collateral. The 2025 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each 2025 Subsidiary Guarantor which pledged share or capital stock under the 2025 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2025 Notes and the related subsidiary guarantees.

### ***Interest***

The 2025 Notes bear an interest rate of 8.75% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the 2025 Indenture, each of the related 2025 Subsidiary Guarantees and 2025 JV Subsidiary Guarantees (if any) contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

- declaring dividends on its capital stock or purchase or redeem capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of restricted subsidiaries;
- guaranteeing indebtedness of restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of default***

The 2025 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2025 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the 2025 Indenture. If an event of default occurs and is continuing, the trustee under the 2025 Indenture or the holders of at least 25% of the outstanding 2025 Notes may declare the principal of the 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any), and accrued and unpaid interest on the outstanding 2025 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the date of repurchase.

***Maturity and redemption***

The maturity of the 2025 Notes is June 28, 2025.

On or after June 28, 2021, we may on any one or more occasions redeem all or any part of the 2025 Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2025 Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on June 28 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2021 . . . . .	104.375%
2022 . . . . .	102.1875%
2023 and thereafter . . . . .	100.0%



At any time prior to June 28, 2025, we may at our option redeem the 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2025 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time prior to June 28, 2021, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the 2025 Notes at a redemption price equal to 108.75% of the principal amount of the 2025 Notes, plus any accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the 2025 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the closing of the related sale of the Company's shares and subject to certain conditions.

## **The Convertible Bonds**

On February 14, 2018, we entered into a trust deed (the "**Trust Deed**") pursuant to which we issued an amount of HK\$18,000,000,000 4.25% secured guaranteed convertible bonds due 2023 (the "**Convertible Bonds**").

### ***Guarantee***

The obligations pursuant to the Convertible Bonds are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Existing Pari Passu Secured Indebtedness (the "**Convertible Bond Subsidiary Guarantors**"). Each of the Convertible Bond Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of all sums expressed to be payable by us under the Convertible Bonds and the Trust Deed.

### ***Collateral***

In order to secure the obligations under the Convertible Bonds, we and the initial Convertible Bond Subsidiary Guarantors under the Trust Deed pledged the share or capital stock of substantially all of such initial Convertible Bond Subsidiary Guarantors for the benefit of the holders of the Convertible Bonds, or the Convertible Bond Collateral. The Convertible Bond Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each Convertible Bond Subsidiary Guarantor which pledged share or capital stock under the Trust Deed may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the Convertible Bond and the related subsidiary guarantees.

### ***Interest***

The Convertible Bonds bear an interest rate of 4.25% per annum. Interest is payable semi-annually in arrears.

### ***Conversion***

On or after March 27, 2018 up to the close of business (at the place where the certificate evidencing such Convertible Bond is deposited for conversion) on the seventh day prior to its maturity date (both days inclusive), except as provided in Condition 6(A)(iv) (Conversion — Conversion Right — Revival and/or Survival after Default), and Condition 10 (Events of Default) in no event thereafter or, if such Bond has been called for redemption by us before the maturity date, then up to the close of business (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Convertible Bond pursuant to Condition 8(D) (Redemption, Purchase and Cancellation — Redemption for Delisting or Suspension of Trading or Change of Control) or Condition 8(E) (Redemption, Purchase and Cancellation — Redemption at the option of the Bondholders) then up

to the close of business (at the place aforesaid) on the day prior to the giving of such notice, at a price of initially HK\$38.99 per share, subject to adjustment in the manner provided in Condition 6(C) (Conversion — Adjustments to Conversion Price).

### ***Events of default***

The Trust Deed contains certain customary events of default, including the Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25% in principal amount of the Convertible Bonds then outstanding or if so directed by an extraordinary resolution of the bondholders shall (subject to being indemnified and/or secured by the bondholders to its satisfaction), give notice in writing to us that the Convertible Bonds are, and they shall accordingly thereby become, immediately due and repayable.

### ***Maturity and redemption***

The maturity date of the Convertible Bonds is February 14, 2023.

On giving not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee (which notice will be irrevocable), the Issuer may at any time prior to the Maturity Date redeem in whole, but not in part, the Convertible Bonds for the time being outstanding at their principal amount together with interest accrued to the date fixed for redemption provided that prior to the date of such notice at least 90 per cent. in principal amount of the Convertible Bonds originally issued (including any further bonds issued pursuant to Condition 16 (Further issues) and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled.

### **The November 2020 Notes**

On November 6, 2018, Scenery Journey Limited, ("**Scenery**" or the "**November 2020 Notes Issuer**"), a subsidiary of the Company, entered into an indenture (the "**November 2020 Indenture**"), pursuant to which Scenery issued an aggregate principal amount of US\$565,000,000 11.0% senior notes due 2020 (the "**Original November 2020 Notes**") and an aggregate principal amount of US\$1,000,000,000 11.0% additional notes (together with the Original November 2020 Notes, the "**November 2020 Notes**"). The November 2020 Notes are listed on the SGX-ST.

As of the date of this Offering Memorandum we had a total amount of US\$565,000,000 principal amount of the November 2020 Notes outstanding.

### ***Guarantee***

The obligations pursuant to the November 2020 Notes are guaranteed by Tianji Holding Limited ("**Tianji**" or the "**November 2020 Parent Guarantor**"), our existing subsidiaries (the "**November 2020 Subsidiary Guarantors**"), other than those organized under the laws of the PRC and certain other subsidiaries specified under the November 2020 Indenture. We refer to these guarantees as the November 2020 Parent Guarantees and the November 2020 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a subsidiary of Tianji may instead provide a limited-recourse guarantee, or the November 2020 JV Subsidiary Guarantee. We refer to the subsidiaries providing a November 2020 JV Subsidiary Guarantee as November 2020 JV Subsidiary Guarantors.

Each of the November 2020 Parent Guarantor, November 2020 Subsidiary Guarantors and November 2020 JV Subsidiary Guarantors (if any) will, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the November 2020 Notes.

### ***Interest***

The November 2020 Notes bear an interest rate of 11.0% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the November 2020 Indenture, the November 2020 Parent Guarantee and each of the related November 2020 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchase or redeem capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of restricted subsidiaries;
- guaranteeing indebtedness of restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of default***

The November 2020 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the November 2020 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the November 2020 Indenture. If an event of default occurs and is continuing, the trustee under the November 2020 Indenture or the holders of at least 25% of the outstanding November 2020 Notes may declare the principal of the November 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any), and accrued and unpaid interest on the outstanding November 2020 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

### ***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding November 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the date of repurchase.

### ***Maturity and redemption***

The maturity of the November 2020 Notes is November 6, 2020.

At any time prior to November 6, 2020, Scenery may at our option redeem the November 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the November 2020 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time prior to November 6, 2020, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the November 2020 Notes at a redemption price equal to 111.0% of the principal amount of the November 2020 Notes, plus any accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the November 2020 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the closing of the related sale of the Company's shares and subject to certain conditions.

### **The November 2022 Notes**

On November 6, 2018, Scenery Journey Limited, ("**Scenery**" or the "**November 2022 Notes Issuer**"), a subsidiary of the Company, entered into an indenture (the "**November 2022 Indenture**"), pursuant to which Scenery issued an aggregate principal amount of US\$645,000,000 13.0% Senior Notes due 2022 (the "**November 2022 Notes**"). The November 2022 Notes are listed on the SGX-ST.

As of the date of this Offering Memorandum we had a total amount of US\$645,000,000 principal amount of the November 2022 Notes outstanding.

### ***Guarantee***

The obligations pursuant to the November 2022 Notes are guaranteed by Tianji Holding Limited ("**Tianji**" or the "**November 2022 Parent Guarantor**"), our existing subsidiaries (the "**November 2022 Subsidiary Guarantors**"), other than those organized under the laws of the PRC and certain other subsidiaries specified under the November 2022 Indenture. We refer to these guarantees as the November 2022 Parent Guarantees and the November 2022 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a subsidiary of Tianji may instead provide a limited-recourse guarantee, or the November 2022 JV Subsidiary Guarantee. We refer to the subsidiaries providing a November 2022 JV Subsidiary Guarantee as November 2022 JV Subsidiary Guarantors.

Each of the November 2022 Parent Guarantor, November 2022 Subsidiary Guarantors and November 2022 JV Subsidiary Guarantors (if any) will, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the November 2022 Notes.

### ***Interest***

The November 2022 Notes bear an interest rate of 13.0% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the November 2022 Indenture, the November 2022 Parent Guarantee and each of the related November 2022 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

- declaring dividends on its capital stock or purchase or redeem capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of restricted subsidiaries;
- guaranteeing indebtedness of restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of default***

The November 2022 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the November 2022 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the November 2022 Indenture. If an event of default occurs and is continuing, the trustee under the November 2022 Indenture or the holders of at least 25% of the outstanding November 2022 Notes may declare the principal of the November 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any), and accrued and unpaid interest on the outstanding November 2022 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding November 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the date of repurchase.

***Maturity and redemption***

The maturity of the November 2022 Notes is November 6, 2022.

On or after November 6, 2020, Scenery may on any one or more occasions redeem all or any part of the November 2022 Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the November 2022 Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on November 6 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2020 . . . . .	106.5%
2021 and thereafter . . . . .	103.25%

At any time prior to November 6, 2020, Scenery may at our option redeem the November 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the November 2022 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time prior to November 6, 2020, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the November 2022 Notes at a redemption price equal to 113.0% of the principal amount of the November 2022 Notes, plus any accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the November 2022 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the closing of the related sale of the Company's shares and subject to certain conditions.

### **The November 2023 Notes**

On November 6, 2018, Scenery Journey Limited, ("**Scenery**" or the "**November 2023 Notes Issuer**"), a subsidiary of the Company, entered into an indenture (the "**November 2023 Indenture**"), pursuant to which Scenery issued an aggregate principal amount of US\$590,000,000 13.75% Senior Notes due 2023 (the "**November 2023 Notes**"). The November 2023 Notes are listed on the SGX-ST.

As of the date of this Offering Memorandum we had a total amount of US\$590,000,000 principal amount of the November 2023 Notes outstanding.

#### ***Guarantee***

The obligations pursuant to the November 2023 Notes are guaranteed by Tianji Holding Limited ("**Tianji**" or the "**November 2023 Parent Guarantor**"), our existing subsidiaries (the "**November 2023 Subsidiary Guarantors**"), other than those organized under the laws of the PRC and certain other subsidiaries specified under the November 2023 Indenture. We refer to these guarantees as the November 2023 Parent Guarantees and the November 2023 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a subsidiary of Tianji may instead provide a limited-recourse guarantee, or the November 2023 JV Subsidiary Guarantee. We refer to the subsidiaries providing a November 2023 JV Subsidiary Guarantee as November 2023 JV Subsidiary Guarantors.

Each of the November 2022 Parent Guarantor, November 2023 Subsidiary Guarantors and November 2023 JV Subsidiary Guarantors (if any) will, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the November 2023 Notes.

#### ***Interest***

The November 2023 Notes bear an interest rate of 13.75% per annum. Interest is payable semi-annually in arrears.

#### ***Covenants***

Subject to certain conditions and exceptions, the November 2023 Indenture, the November 2023 Parent Guarantee and each of the related November 2023 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchase or redeem capital stock;
- making investments or other specified restricted payments;



- issuing or selling capital stock of restricted subsidiaries;
- guaranteeing indebtedness of restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of default***

The November 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the November 2023 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the November 2023 Indenture. If an event of default occurs and is continuing, the trustee under the November 2023 Indenture or the holders of at least 25% of the outstanding November 2023 Notes may declare the principal of the November 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any), and accrued and unpaid interest on the outstanding November 2023 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding November 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the date of repurchase.

***Maturity and redemption***

The maturity of the November 2023 Notes is November 6, 2023.

On or after November 6, 2021, Scenery may on any one or more occasions redeem all or any part of the November 2023 Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the November 2023 Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on November 6 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2020 . . . . .	106.875%
2021 and thereafter . . . . .	103.4375%

At any time prior to November 6, 2021, Scenery may at our option redeem the November 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the November 2023 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time prior to November 6, 2021, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the November 2023 Notes at a redemption price equal to 113.75% of the principal amount of the November 2023 Notes, plus any accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the November 2023 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the closing of the related sale of the Company's shares and subject to certain conditions.

### **The 2020 Private Notes**

On December 27, 2018, we entered into an indenture, or the 2020 Private Indenture, pursuant to which we issued an aggregate principal amount of US\$100,000,000 8.0% Senior Notes due 2020, or the 2020 Private Notes, to a private investor. The 2020 Private Notes are not listed.

As of the date of this Offering Memorandum, we had a total amount of US\$100,000,000 principal amount of the 2020 Private Notes outstanding.

#### ***Guarantee***

The obligations pursuant to the 2020 Private Notes are guaranteed by our existing subsidiaries, or the 2020 Private Notes Subsidiary Guarantors, other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2020 Private Indenture. We refer to these guarantees as the 2020 Private Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a 2020 Private Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or 2020 Private JV Subsidiary Guarantee. We refer to the subsidiaries providing a 2020 Private JV Subsidiary Guarantee as 2020 Private JV Subsidiary Guarantors.

Each of the 2020 Private Subsidiary Guarantors and 2020 Private JV Subsidiary Guarantors (if any), jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2020 Private Notes, provided that any JV Subsidiary Guarantee will be limited to the JV entitlement amount.

#### ***Collateral***

In order to secure the obligations under the 2020 Private Notes, we and the 2020 Private Subsidiary Guarantors under the 2020 Private Indenture pledged the share or capital stock of substantially all of such initial 2020 Private Subsidiary Guarantors for the benefit of the holders of the 2020 Private Notes, or the 2020 Private Collateral. The 2020 Private Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each 2020 Private Subsidiary Guarantor which pledged share or capital stock under the 2020 Private Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2020 Private Notes and the related subsidiary guarantees.

#### ***Interest***

The 2020 Private Notes bear an interest rate of 8.0% per annum. Interest is payable in arrears on June 27, 2019, December 27, 2019 and June 27, 2020.

### ***Covenants***

Subject to certain conditions and exceptions, the 2020 Private Indenture and each of the related 2020 Private Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred shares;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling shares of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of default***

The 2020 Private Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2020 Private Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the 2020 Private Indenture. If an event of default occurs and is continuing, the trustee under the 2020 Private Indenture or the holders of at least 25% of the outstanding 2020 Private Notes may declare the principal of the 2020 Private Notes plus a premium and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any), and accrued and unpaid interest on the outstanding 2020 Private Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

### ***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2020 Private Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the date of repurchase.

### ***Maturity and redemption***

The maturity of the 2020 Private Notes is June 27, 2020.

At any time prior to June 27, 2020, we may at its option redeem the 2020 Private Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Private Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to June 27, 2020, we may redeem up to 35% of the aggregate principal amount of the 2020 Private Notes at a redemption price of 108.0% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

### **Intercreditor Agreement**

See the sections entitled “Description of 2020 Notes — Security — Intercreditor Agreement,” “Description of 2021 Notes — Security — Intercreditor Agreement” and “Description of 2022 Notes — Security — Intercreditor Agreement.”

## DESCRIPTION OF 2020 NOTES

For purposes of this “Description of 2020 Notes” the term “Company” refers only to China Evergrande Group (formerly known as Evergrande Real Estate Group Limited), and any successor obligor on the Notes, and not to any of its subsidiaries and the term “Notes” refers to the 2020 Notes issued by the Company. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each subsidiary of the Company that in the future provides a “JV Subsidiary Guarantee” (as defined herein) is referred to as a “JV Subsidiary Guarantor”. The notes to be issued as described in this offering memorandum (the “Additional 2020 Notes”) have the same terms and conditions as the US\$500,000,000 7.0% senior notes due 2020 issued on the Original Issue Date (the “Original 2020 Notes” and, together with the Additional 2020 Notes, the “Notes”) in all respects except for the issue date, issue price, the accrual of interest for the Additional 2020 Notes, which will start from and including March 23, 2019 and certain temporary securities law transfer restrictions, and the Additional 2020 Notes and the Original 2020 Notes will vote together as one series on all matters with respect to the Notes. The Additional 2020 Notes will be represented by a temporary global note issued under temporary ISIN and Common Code numbers to be used during the 40-day distribution compliance period after the issue date of the Additional 2020 Notes, but thereafter is expected to be replaced by a permanent global note with the same ISIN and Common Code numbers as the Original 2020 Notes.

The Additional 2020 Notes are to be issued under an indenture (the “Indenture”), dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”). The Additional 2020 Notes offered hereby and the Original 2020 Notes will be treated as a single series for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement 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, the Intercreditor Agreement 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 are available at the corporate trust office of the Trustee at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

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 the Existing *Pari Passu* Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets (other than the Collateral) serving as security therefor; and

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

In addition, on the Original Issue Date, subject to the limitations described in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the section entitled “— Security” and will:

- be entitled to the benefit of a lien on the Collateral, to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness and any other creditors with respect to the Permitted Pari Passu Secured Indebtedness (or their representatives or agents), subject to any other Permitted Liens and the Intercreditor Agreement and to releases and discharges as permitted under the Indenture; and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Company will initially issue US\$1,100,000,000 in aggregate principal amount of the Additional 2020 Notes, which will mature on March 23, 2020 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 the section entitled “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of 2020 Notes” include any other Additional Notes that are actually issued. The Notes will bear interest at 7.0% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on March 23 and September 23 of each year (each an “Interest Payment Date”), which commenced on September 23, 2017.

Interest on the Notes, when in the form of Global Notes, will be paid to the Holders of record at the close of business on March 22 or September 22, and when in the form of Certificate Notes, on March 8 or September 8, immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium, if any, 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 Trustee then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such due date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the 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 and the Company will maintain an office or agency (which initially will be the office of the Paying Agent currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Republic of Ireland) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase. Notwithstanding the immediately preceding sentence, at the option of the Company with the consent of the Paying Agent (such consent not to be unreasonably withheld) payment of interest may instead be made by check mailed (at the expense of the Company) to



the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof. Notices and demands to or upon the Company in respect of the Notes and the Indenture may be served at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust office of the Trustee, currently located at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong).

### **The Subsidiary Guarantees and the JV Subsidiary Guarantees**

As of the date of this offering memorandum, the initial Subsidiary Guarantors are ANJI (BVI) Limited (安基(BVI)有限公司), Billion Mark Limited, Fengyu (BVI) Limited (豐域(BVI)有限公司), Full Hill Limited, Goldbridge Limited, Grandday Group Limited (朝隆集團有限公司), Honour Oasis Limited, Jiading Holdings Limited (嘉鼎控股有限公司), Jajian (BVI) Limited (嘉建(BVI)有限公司), Jiaying Holdings Limited (嘉穎控股有限公司), Jiayu Holdings Limited (嘉譽控股有限公司), Lucky Grow Holdings Limited (智煌控股有限公司), Pyramid Wealth Holdings Limited, Shengjian (BVI) Limited (盛建(BVI)有限公司), Value Depot Holdings Limited, and Yitong (BVI) Limited (億通(BVI)有限公司) which include all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). The Subsidiary Guarantors are holding companies that do not have significant operations.

Other than the above listed Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (the "Other Non-Guarantor Subsidiaries") would be a Subsidiary Guarantor on the issue date of the Additional 2020 Notes. In addition, none of the Restricted Subsidiaries existing on the Original Issue Date that are Subsidiaries organized under the laws of the PRC and the future Restricted Subsidiaries that are organized under the laws of the PRC (together, the "PRC Restricted Subsidiaries"), the Exempted Subsidiaries and the Listed Subsidiaries (as long as they continue to be Exempted Subsidiaries or Listed Subsidiaries, as applicable) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future.

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established, or commences investment for the purposes of commencing business activities, after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and that is not an Exempted Subsidiary or a Listed Subsidiary and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase Capital Stock of an entity and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC and that are not Exempted Subsidiaries or Listed Subsidiaries, if the following conditions, in the case of both (a) and (b), are satisfied:

- concurrently with providing the JV Subsidiary Guarantee (as defined below), the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, an Exempted Subsidiary or a Listed Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which the JV Subsidiary Guarantor will become a party to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which

provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

- (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor (subject to releases and discharges as permitted under the Indenture), but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
  - all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date it provides its JV Subsidiary Guarantee shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
  - as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any such Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any such Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (b) requiring the Company or any such Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of June 30, 2018,

- the Company and its consolidated subsidiaries had total consolidated borrowings of approximately RMB671.1 billion (US\$101.4 billion), all of which were secured; and
- the Non-Guarantor Subsidiaries and Unrestricted Subsidiaries had total borrowings of approximately RMB46.1 billion (US\$7.0 billion).

In addition, as of June 30, 2018, the Non-Guarantor Subsidiaries and Unrestricted Subsidiaries had capital commitments of approximately RMB0.4 billion (US\$0.1 billion) and contingent liabilities arising from guarantees of approximately RMB9.9 billion (US\$1.5 billion).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets (other than the Collateral) serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with the Indebtedness of such Subsidiary Guarantor under its subsidiary guarantee with respect to the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the 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 the Indebtedness of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee with respect to the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause (x) each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary and (y) each of its Exempted Subsidiaries and Listed Subsidiaries that remains as a Restricted Subsidiary, as soon as practicable after it ceases to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be (each such Person in clause (x) or (y), a “Potential Subsidiary Guarantor”), 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 a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary organized under laws outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Potential Subsidiary Guarantor (Restricted Subsidiaries (other than the PRC Restricted Subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries and the Other Non-Guarantor Subsidiaries) that do not provide Subsidiary Guarantees or JV Subsidiary Guarantees in accordance with the Indenture, the “New Non-Guarantor Subsidiaries”), *provided* that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 20% of the Relevant Total Assets of the Company.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In addition, subject to the limitations described in the sections entitled “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 security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor, as described below under the section entitled “— Security,” to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness and holders of the Permitted Pari Passu Secured Indebtedness (or their representatives or agents), subject to any other Permitted Liens and the Intercreditor Agreement; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, as supplemented from time to time, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, as supplemented from time to time,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor’s liability on its Subsidiary Guarantee or a

JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero. The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor 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 the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

### ***Release of the Subsidiary Guarantees and JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under the section entitled "— Defeasance — Defeasance and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the sections entitled "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon its replacement with a JV Subsidiary Guarantee;
- in the case of a Subsidiary Guarantor, upon its becoming a New Non-Guarantor Subsidiary in compliance with the terms of the Indenture; or
- when such Subsidiary Guarantor or JV Subsidiary Guarantor no longer Guarantees, or the Guarantee provided by such Subsidiary Guarantor or JV Subsidiary Guarantor is concurrently released with respect to, any Existing Pari Passu Secured Indebtedness and/or any Permitted Pari Passu Secured Indebtedness in compliance with the terms of the Indenture, provided that each of the Trustee and the Collateral Agent shall comply with a release request if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, 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) request the Trustee to release the Subsidiary Guarantee provided by such Subsidiary Guarantor and the Subsidiary Guarantee provided by each of its Restricted Subsidiaries organized under laws outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized under laws outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) request the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in each such New Non-Guarantor Subsidiary (in each case under (a) and (b), 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 under laws outside the PRC (other than the Exempted Subsidiaries and Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) do not account for more than 20% of the Relevant Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (x) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (y) 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 of the Trustee and the Collateral Agent shall comply with a request referred to in (a) or (b) above if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

#### ***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale of existing Capital Stock or the issuance of new Capital Stock by the Company or any of its Restricted Subsidiaries in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- concurrently with the release of such Subsidiary Guarantee, the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, an Exempted Subsidiary or a Listed Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor becomes a party to the Indenture as a JV Subsidiary Guarantor, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor (subject to releases and discharges as permitted under the Indenture), but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;



- (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
  - all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into such JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
  - as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries are "Restricted Subsidiaries" other than City Expert (Ningbo) Property Co., Ltd. (城博(寧波)置業有限公司), City Expert Limited (城博有限公司), Exalt Boom Investments Limited (晉昌投資有限公司), Exalt Prosper Limited (上盛有限公司), Fortex Development Limited (嘉達發展有限公司), Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司), Global City Development Limited, Ideal Market Holdings Limited (旭智控股有限公司), Key Alliance Investments Limited (建聯投資有限公司), Mass Thrive Holding Limited (群盛控股有限公司), Mass Thrive Limited (群盛有限公司), Ningbo Sanli Jiada Property Co., Ltd. (寧波三立嘉達置業有限公司), Ningbo Sanli Xianghe Property Co., Ltd. (寧波三立祥和置業有限公司), Ningbo Sanli Yongheng Property Co., Ltd. (寧波三立甬恒置業有限公司), Ningbo Yucheng Property Co., Ltd. (寧波御誠置業有限公司), Pioneer Time Investment Limited, Prosper Trade Investments Limited (興業投資有限公司), Ray Shine Group Limited (利輝集團有限公司), Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大地產開發有限公司) and Splendid Ritz Limited and any Subsidiary of these Subsidiaries. However, under the circumstances described below under the section entitled "— 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 Pledgors to pledge, as the case may be, the Capital Stock owned directly by the Company or the initial Subsidiary Guarantor Pledgors of each initial Subsidiary Guarantor (the “Collateral”), or extend the benefit of the security interest over the Collateral, subject to any Permitted Lien and the Intercreditor Agreement, 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 Pledgors under their respective Subsidiary Guarantees.

The Company and the initial Subsidiary Guarantor Pledgors pledged the Collateral on January 19, 2011, June 10, 2011, September 7, 2011, October 15, 2013, May 27, 2016 and September 29, 2016 (subject to Permitted Liens and the Intercreditor Agreement) in order to secure certain obligations of the Company and such initial Subsidiary Guarantor Pledgors, including the Existing Notes and the related subsidiary guarantees (the “Share Charges”).

The trustee for each series of the Existing Notes and the Collateral Agent entered into the Intercreditor Agreement dated January 19, 2011, as supplemented from time to time. See “— Intercreditor Agreement.”

The Subsidiary Guarantor Pledgors as of the date of this offering memorandum are:

- ANJI (BVI) Limited (安基(BVI)有限公司)
- Fengyu (BVI) Limited (豐域(BVI)有限公司)
- Grandday Group Limited (朝隆集團有限公司)
- Pyramid Wealth Holdings Limited
- Shengjian (BVI) Limited (盛建(BVI)有限公司)
- Value Depot Holdings Limited
- Yitong (BVI) Limited (億通(BVI)有限公司)

None of the Capital Stock of (i) the Non-Guarantor Subsidiaries (and Subsidiaries thereof) (for so long as they continue to be Non-Guarantor Subsidiaries) or (ii) any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary 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 Non-Guarantor Subsidiary (and Subsidiaries thereof) and any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary 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 directly by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent (as defined below).

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that (i) becomes a Restricted Subsidiary (other

than any Non-Guarantor Subsidiary and its Subsidiaries and any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary) after the Original Issue Date, (ii) (in the case of an Exempted Subsidiary or a Listed Subsidiary that remains as a Restricted Subsidiary) has ceased to be either an Exempted Subsidiary or a Listed Subsidiary or (iii) (in the case of a Non-Guarantor Subsidiary that remains as a Restricted Subsidiary) has ceased to be a Non-Guarantor Subsidiary, as soon as reasonably practicable (but in any event within 30 days) after such Person has become a Restricted Subsidiary or has ceased to be an Exempted Subsidiary, a Listed Subsidiary or a Non-Guarantor Subsidiary, as applicable, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The value of the Collateral securing the Notes, the Existing *Pari Passu* Secured Indebtedness, the Subsidiary Guarantees, the subsidiary guarantees for the Existing *Pari Passu* Secured Indebtedness of the Subsidiary Guarantor Pledgors and the Permitted *Pari Passu* Secured Indebtedness (if any) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes, the Existing *Pari Passu* Secured Indebtedness, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, the subsidiary guarantees for the Existing *Pari Passu* Secured Indebtedness of the subsidiary guarantor pledgors and the Permitted *Pari Passu* Secured Indebtedness, and the Collateral securing these obligations 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 the sections entitled “— Release of Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the 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 and the Security Documents following an Event of Default would be sufficient to satisfy amounts due on the Notes, the Existing *Pari Passu* Secured Indebtedness, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, the subsidiary guarantees for the Existing *Pari Passu* Secured Indebtedness or the Permitted *Pari Passu* Secured Indebtedness. 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) and any *Pari Passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor (such Indebtedness of the Company and any such *Pari Passu* Subsidiary Guarantee, “Permitted *Pari Passu* Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the section entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (or their representative or agent) become party to the Intercreditor

Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent an Opinion of Counsel and an 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, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and the Collateral Agent will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness (the "Collateral Agent").

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

### ***Intercreditor Agreement***

On January 19, 2011, the Company entered into an intercreditor agreement (as amended, waived, restated, replaced and/or supplemented from time to time, the "Intercreditor Agreement") with, among others, the Subsidiary Guarantor Pledgors and the Collateral Agent, as acceded to by holders (or representatives, agents or trustees thereof) of Existing Pari Passu Secured Indebtedness.

On the Original Issue Date, the Trustee will accede to the Intercreditor Agreement, whereupon the Holders of the Notes will share equal priority and *pro rata* entitlement in and to the Collateral with the holders of any Existing Pari Passu Secured Indebtedness remaining outstanding after the Original Issue Date and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Immediately prior to the Original Issue Date, the Existing Pari Passu Secured Indebtedness amounted to an aggregate principal amount of US\$9,223,578,000 and HK\$18,000,000,000.

Prior to or concurrently with the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes) after the Original Issue Date, the Intercreditor Agreement may be amended, without requiring instruction from the Holders, to include the holders of such Permitted Pari Passu Secured Indebtedness (or their representative or agent) as additional secured parties to the agreement.

### ***Enforcement of Security***

The benefit of the Lien over the Collateral granted to the Collateral Agent will be extended to secure the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, subject to any Permitted Lien and the Intercreditor Agreement. Subject to the Intercreditor Agreement, the Collateral Agent (for the benefit the Holders), will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders (through the Trustee) to exercise remedies under the Security Documents. The Trustee has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture 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, subject to the Intercreditor Agreement, the Collateral Agent has the exclusive 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 the direction of the secured parties thereto, 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. However, although the Trustee may instruct the Collateral Agent to foreclose the Collateral upon the occurrence of an Event of Default that is continuing, such instruction may be overruled by a contrary instruction to the Collateral Agent from holders of more than 50% of the indebtedness that is subject to the Intercreditor Agreement. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness.”

The Intercreditor Agreement principally provides that, at any time while the Intercreditor Agreement is in force, the Collateral Agent has the exclusive right to manage, perform and enforce the terms of the Security Documents and the security documents for any Permitted *Pari Passu* Secured Indebtedness relating to the Collateral. See “—Intercreditor Agreement.”

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, in the following order of priority:

*first*, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any unpaid fees, costs and expenses (including expenses of any receiver appointed under any Security Document and reasonable expenses of its counsel) properly incurred in connection with its duties under the Intercreditor Agreement including without limitation, the collection, distribution or enforcement of such amounts held or realized or in connection with expenses properly incurred under the Intercreditor Agreement in enforcing all available remedies under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted *Pari Passu* Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the Collateral Agent is entitled to under the Security Documents;

*second*, to the extent not reimbursed under the above paragraph, to the trustee for each series of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for each Existing Bank Loan, the Trustee and, to the extent applicable, the holder of any Permitted *Pari Passu* Secured Indebtedness (in the case of a sole creditor of any series of Permitted *Pari Passu* Secured Indebtedness only) or the representative or agent of any holders of any series of Permitted *Pari Passu* Secured Indebtedness, to the extent necessary to reimburse the foregoing persons ratably for any unpaid fees, costs and expenses (including fees and expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable fees and expenses of counsel) reasonably incurred under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted *Pari Passu* Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted *Pari Passu* Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the Security Documents;

*third*, ratably to each of the trustee for each series of the Existing Notes for the benefit of the holders of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for the benefit of the lenders under each Existing Bank Loan, the Trustee for the benefit of the Holders and, to the extent applicable, to holders (or their representative or agent) of Permitted *Pari Passu* Secured Indebtedness, inclusive of any reasonable fees and expenses of each of the trustee for each



series of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for each Existing Bank Loan, the Trustee and the holders (or their representative or agent) of Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the above second paragraph), and the principal, interest and premium thereon and for the benefit of the holders of each thereof in accordance with the terms of the relevant document governing the foregoing indebtedness; and

*lastly*, any surplus remaining after such payments will be paid to the Company (for itself and any Subsidiary Guarantor Pledgors) or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with the section entitled "— Permitted Pari Passu Secured Indebtedness" above.

### ***Release of Security***

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the section entitled "— Defeasance — Defeasance and Discharge;"
- upon certain dispositions of the Collateral in compliance with the covenants under the sections entitled "— 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 provisions under the section entitled "— 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;
- upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock previously granted by such Subsidiary Guarantor, now a JV Subsidiary Guarantor, in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;



- upon a Subsidiary Guarantor becoming a New Non-Guarantor Subsidiary, with respect to the release of any pledge of Capital Stock previously granted by such Subsidiary Guarantor, now a New Non-Guarantor Subsidiary, and the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Non-Guarantor Subsidiary;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor, and in accordance with the terms of the Indenture;
- 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, and in accordance with the terms of the Indenture; or
- with respect to the Lien over the Collateral (or any portion thereof) pledged to secure the Notes, either upon (i) the repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors under the Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness or (ii) the prior or concurrent release of the Lien on the Collateral securing all Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness; *provided* that in each case, no Default has occurred and is continuing on such date and no Default would have occurred as a result of such release, and each of the Trustee and the Collateral Agent shall comply with a release request if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

### **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 (if any)) 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) ("Additional Notes") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below and the other provisions of the Indenture.

### **Optional Redemption**

At any time prior to March 23, 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to March 23, 2020, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the

redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any national securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) and/or the requirements of the clearing system; or
- (2) if the Notes are not listed on any national securities exchange and/or are not held through any clearing system, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

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

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See the section entitled "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes and the Existing Notes upon a change of control triggering event." The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely

be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

### **Additional Amounts**

All payments by or on behalf of the Company, a Surviving Person (as defined under “—Consolidation, Merger and Sale of Assets”), a Subsidiary Guarantor, a JV Subsidiary Guarantor or a Subsidiary Guarantor Pledgor of principal of, and premium (if any) and interest on, the Notes and any payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) and under the Security Documents 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 or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Taxing Jurisdiction”) or any jurisdiction through which payments on the Notes or a Guarantee are made (or any political subdivision or taxing authority thereof or therein) (as applicable and together with the Relevant Taxing Jurisdictions, each, 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, the applicable Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor, as the case may be, will pay such additional amounts (“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 or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
  - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
    - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

- (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
  - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor, addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required by law to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
  - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
  - (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
  - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, 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, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders (which notice shall be irrevocable), the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant 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 (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or a 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, such Surviving Person, 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 mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person, 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, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

## Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

### *Limitation on Indebtedness and Preferred Stock*

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company or 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 to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
  - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
  - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
  - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);
  - (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor and none of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, in the case of the Company, the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, in the case of a JV Subsidiary Guarantor; *provided* further that, any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;
  - (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 clauses (a), (b), (c), (e), (h), (o), (p), (q), (r), (s), (t), (u), (v) or (w) 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, 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, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or 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, 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, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, 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 or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor; and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to (A) Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (B) other derivative contracts entered into for non-speculative purposes in connection with the business of the Company or any of its Restricted Subsidiaries;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary; *provided that* in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with

refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (q), (r), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% 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 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed 2% of Total Assets;
- (o) 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 Person enters into such Staged Acquisition Agreement; *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement;
- (p) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$30.0 million (or the Dollar Equivalent thereof);

- (q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (r), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (r) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary) by the Company or such Restricted Subsidiary, if (x) the aggregate of all Indebtedness Incurred under this clause (r) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h) and (q) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets and (y) the aggregate of all Indebtedness Incurred under this clause (r) (together with refinancing thereof) does not exceed an amount equal to 7.5% of Total Assets;
- (s) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided* that on the date of Incurrence of such Indebtedness, the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q) and (r) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (t) (x) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary or (y) Capitalized Lease Obligations, or Attributable Indebtedness with respect to a Sale and Leaseback Transaction that would otherwise be permitted under the section entitled "Limitation on Sale and Leaseback Transactions," Incurred by any PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (u) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with

refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;

- (v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets; and
  - (w) Indebtedness Incurred or Preferred Stock issued in connection with any Investment made by a Strategic Investor in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) in an aggregate outstanding amount not exceeding RMB60 billion (calculated using the amount of such Investment on the date it is made).
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness 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 pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such Capital Stock) or any direct or indirect parent of the Company held by any Person other than the Company or any Wholly Owned Restricted Subsidiary;

- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes, any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant entitled “— 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 Measurement Date, shall exceed the sum of:
  - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2010 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 Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
  - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
  - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the



Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US\$75.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) any dividend or distribution 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 a class of Capital Stock of such Restricted Subsidiary; *provided* that, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a *pro rata* basis or on a basis more favorable to the Company, as determined by the ownership of the Voting Stock;
- (6) the payment by Success Will Group Limited to Pearl River Investment Limited of unpaid dividends declared prior to the date of the Indenture in an amount not to exceed US\$50.0 million (or the Dollar Equivalent thereof);



- (7) the payment by the Company of a dividend in respect of its Capital Stock, which dividend is declared on or prior to June 30, 2010, in an amount not to exceed the lesser of (x) US\$16.0 million (or the Dollar Equivalent thereof) and (y) 10% of the profit of the Company for the calendar year ending December 31, 2009, as shown on the audited consolidated financial statements of the Company;
- (8) any of the Existing Staged Acquisition Payments;
- (9) the purchase by a Restricted Subsidiary of Capital Stock in any PRC Restricted Subsidiary (not exceeding 20% of the total Capital Stock in such PRC Restricted Subsidiary) pursuant to an agreement entered into by such Restricted Subsidiary with an 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 PRC 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 (determined by multiplying the fair market value of such PRC Restricted Subsidiary by the percentage that such Capital Stock represents in the total Capital Stock of such PRC Restricted Subsidiary);
- (10) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (11) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by any Financial Company Investor in respect of any Preferred Stock issued or Indebtedness outstanding on the Original Issue Date or issued or Incurred under paragraph (2)(q) of the "Limitation on Indebtedness and Preferred Stock" covenant;
- (12) (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\$50.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (13) 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);
- (14) the redemption, repurchase or other acquisition of Capital Stock of any Restricted Subsidiary (not exceeding 50% of the total Capital Stock in such Restricted Subsidiary) from an Independent Third Party; or
- (15) any dividend or distribution declared, paid or made by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) to Strategic Investors in accordance with the terms of the Investment Agreements;

*provided* that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Subject to the immediately following paragraph, each Restricted Payment made 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 Payment.

Notwithstanding any other provision of this “Limitation on Restricted Payments” covenant, clause (b) of the first paragraph of this covenant does not have to be satisfied with respect to any Restricted Payment consisting solely of the declaration or payment of dividends in cash on the Common Stock of the Company or the repurchase of Common Stock of the Company on The Stock Exchange of Hong Kong Limited; *provided* that, starting from the Original Issue Date, the only amount of any Restricted Payment made pursuant to this paragraph that 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 shall be the excess amount, if any, of (x) the aggregate amount of all declarations and payments of dividends on such Common Stock during any fiscal year of the Company and price paid for all such repurchased Common Stock during such fiscal year over (y) 35% of the consolidated profit for the year of the Company calculated in accordance with GAAP for the fiscal year immediately before such fiscal year.

The amount of any Restricted Payment (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 Payments 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 covenant entitled “— Limitation on Restricted Payments” 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.

- (2) The provisions of clause (1) do not apply to any encumbrances or restrictions:
- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, the Existing Pari Passu Secured Indebtedness and the subsidiary guarantees and JV subsidiary guarantees thereof, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (b) existing under or by reason of applicable law, rule, regulation or order;
  - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
  - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants entitled “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales;”
  - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), 2(v) or 2(w) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” if the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or

replaced, *provided further* that, the Board of Directors is empowered to determine as to whether of the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;

- (g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee, *provided further* that, the Board of Directors is empowered to determine as to whether of the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

#### ***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) for the issuance or sale of the 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* that, paragraph (18)(b) of the definition of "Permitted Investments" shall not apply if such Investment would otherwise have been permitted under paragraph (18) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the covenant entitled "— Limitation on Asset Sales."

### ***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, 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)(d) or (s) (in the case of clause (2)(s), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption “—Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, 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, which, absent manifest error, may be conclusively evidenced by an Officers’ Certificate from the Company certifying to that effect. The Trustee is fully protected in relying on such an Officers’ Certificate with respect to such guarantee given by the relevant JV Subsidiary Guarantor. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

### ***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary; and

- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$25.0 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\$50.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant entitled “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval for any such scheme;
- (6) any purchase of Capital Stock of the type specified in clause (9), (10) or (11) of the second paragraph of the covenant entitled “— Limitation on Restricted Payments;” and
- (7) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (12) 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 (including Permitted Investments that are permitted under paragraph (18) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one part and a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary on the other part; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned



Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary (other than those that beneficially own in the aggregate no more than 10% of the Capital Stock of such Restricted Subsidiary) is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary of the Company), or (c) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary (other than shareholders or partners that beneficially own in the aggregate no more than 10% of the Capital Stock of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary) is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

### ***Limitation on Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant entitled “— Limitation on Indebtedness and Preferred Stock” and (b) Incurred a Lien to secure such Indebtedness pursuant to the covenant entitled “— 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 such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant entitled “— Limitation on Asset Sales.”

### ***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *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\$50.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee 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, as the case may be, 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, as the case may be, into cash, to the extent of the cash received in that conversion,

*provided that* clauses (1), (2) and (3) above shall not apply to (i) any Asset Sale to any Person that will, upon the consummation of such Asset Sale, become a Restricted Subsidiary, and (ii) any issuance or sale of Capital Stock to a Strategic Investor in order to satisfy a Repurchase Obligation or in connection with the proposed reorganization for which the Company made an announcement on October 3, 2016.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or Replacement Assets.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds 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 related Asset Sales,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased by the Company on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds (if any) from the sale of the Notes, in any amount, for any purpose other than (1) as specified under the caption “Use of Proceeds” in this offering memorandum (or in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary Guarantor provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company at the time of the designation; (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 entitled “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant entitled “— 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 entitled “— 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 entitled “— 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 entitled “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary

Guarantees;” and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned directly by the Company or any other Restricted Subsidiary shall be pledged to the extent required under the section entitled “— 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 business of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

The Company has completed the registration of foreign debt in respect of the offering of Notes described in this offering memorandum (or, in the case of Additional Notes, the offering document relating to the sale of such Additional Notes) and obtained a certificate of registration from the NDRC to the extent required by and in accordance with the NDRC Notice. The Company will, to the extent required by the NDRC Notice, file or cause to be filed with the NDRC or its local branch information of the offering described in this offering memorandum after the Original Issue Date (or, in the case of Additional Notes, after the issue date of such Additional Notes) in accordance with and within the time period prescribed by the NDRC Notice.

### ***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

### ***Suspension of Certain Covenants***

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following sections will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (2) “— Certain Covenants — Limitation on Restricted Payments;”
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”

- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “— Certain Covenants — Limitation on Sale and Leaseback Transactions;” and
- (7) “— Certain Covenants — Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under the section entitled “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

#### ***Provision of Financial Statements and Reports***

- (1) So long as any of the Notes remains outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s shares of Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in 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 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) 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 quarters of the Company, copies of its unaudited financial statements (on a consolidated basis) 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 remains 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 two most recent fiscal semiannual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a firm policy of such external auditors not to provide such certification for any issuer; 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 are 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 covenant entitled "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the section entitled "— 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 Lien on the Collateral (subject to any Permitted Lien and the Intercreditor Agreement) in accordance with the covenant entitled "— Security;"
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (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 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 Subsidiary or for any substantial part of the property and assets of the Company or any Significant 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 Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company);
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) 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; and
- (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 Collateral Agent ceases to have a security interest in the Collateral, subject to any Permitted Lien and the Intercreditor Agreement.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of the Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, or the Trustee may, in accordance with and subject to the Intercreditor Agreement, instruct the Collateral Agent to, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee may, and shall (subject to being indemnified and/or secured to its satisfaction) upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Collateral 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 the Trustee deems appropriate. See the section entitled “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in such Note, which right shall not be impaired or affected without the consent of the Holder.

Two 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 ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and the Subsidiary Guarantors' performance under the Indenture and that the Company and the Subsidiary Guarantors have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See the section entitled "— Certain Covenants — Provision of Financial Statements and Reports."

### **Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

- (6) each Subsidiary Guarantor 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 this section, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, 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 with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (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 first paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale or other disposition that complies with the “— Certain Covenants — Limitation on Asset Sales” covenant or any Subsidiary Guarantor 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 section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

Notwithstanding the foregoing, the Company and each Subsidiary Guarantor or JV Subsidiary Guarantor shall be permitted to 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 any Restricted Subsidiary or any Person that will, upon the consummation of such sale, conveyance, transfer, lease or disposal, become a Restricted Subsidiary.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, which may adversely affect Holders.

### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders in any jurisdiction where (A)(i) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Company, (ii) the payment of the consideration therefor or (iii) the conduct or completion of a related offer to purchase or exchange the Notes for cash or other securities in the manner deemed appropriate by the Company would require the Company or any of its Subsidiaries to (a) file a registration statement, prospectus or similar document or subject the Company or any of its Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Company in its sole discretion determines would be burdensome, (b) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (c) generally consent to service of process in any such jurisdiction or (d) subject the Company or any of its Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject; or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

### **Defeasance**

#### ***Defeasance and Discharge***

The Indenture provides that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the

Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;
- (3) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and
- (4) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

#### ***Defeasance of Certain Covenants***

The Indenture further provides that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under the section entitled “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under the section entitled “— Certain Covenants,” other than as described under the sections entitled “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (ii) clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to such other events set forth in clause (i) above, clause (4) under “— Events of Default” with respect to such other covenants set forth in clause (i) above and clauses (5) and (6) under “— Events of Default” shall be deemed not to be Events of Default, upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and 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 with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the



Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However the Company will remain liable for such payments.

## **Amendments and Waiver**

### ***Amendments Without Consent of Holders***

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be amended, without notice to or the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under the section entitled “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee 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 the relevant clearing system;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into the Intercreditor Agreement or any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);
- (11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of 2020 Notes” to the extent that such provision in this “Description of 2020 Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees; or
- (12) make any other change that does not materially and adversely affect the rights of any Holder.

### ***Amendments With Consent of Holders***

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Subsidiary Guarantor Pledgors, the Trustee and the Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in aggregate principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, any Security Document or the Intercreditor Agreement; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on any Note;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects Holders;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects 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 any Note 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 any Note from that stated under the sections entitled “— Optional Redemption” or “— Redemption for Taxation Reasons;”

- (14) amend, change or modify the obligation of the Company, 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 any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects Holders.

### **Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

### **No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

### **Concerning the Collateral Agent, the Trustee, the Paying Agent, the Transfer Agent and Registrar**

Citicorp International Limited has been appointed as Trustee under the Indenture and as Collateral Agent with regard to the Collateral under the Security Documents. Citibank, N.A., London Branch has been appointed as paying agent, transfer agent and registrar (the "Paying Agent," the "Transfer Agent" and the "Registrar"; collectively, the "Agents") with regard to the Notes. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture, or the Intercreditor Agreement. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care, as applicable, and skill in its exercise of the rights and powers vested in them under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive amending, supplementing or replacing such Directive, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Citicorp International Limited acts as the initial Collateral Agent under the Security Documents in respect of the Lien over the Collateral and under the Intercreditor Agreement. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Security Documents

and the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents and the Intercreditor Agreement that are in conflict with the interests of the Holders. The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture, the Security Documents and the Intercreditor Agreement, as applicable, for the benefit of the Holders unless such Holders have offered to the Trustee or the Collateral Agent, as the case may be, indemnity and/or security satisfactory to it against any loss, liability, cost or expense. Each Holder, by accepting the Notes, will agree, for the benefit of the Trustee and the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Collateral Agent in respect of such risks.

### **Book-Entry; Delivery and Form**

The Additional 2020 Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). When issued, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

#### ***Global Note***

Ownership of beneficial interests in the Global 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 depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Collateral Agent or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

#### ***Payments on the Global Note***

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the 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, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### ***Redemption of Global Note***

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar 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 U.S. dollar amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

### ***Action by Owners of Book-Entry Interests***

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

### ***Transfers***

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

### ***Global Clearance and Settlement Under the Book-Entry System***

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

### ***Information Concerning Euroclear and Clearstream***

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Collateral Agent, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

### **Individual Definitive Notes**

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of



such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. 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 mails of the relevant jurisdiction, if intended for the Company or any Subsidiary Guarantor, addressed to the Company or such Subsidiary Guarantor, as the case may be, or if intended for the Trustee, addressed to the Trustee at the corporate trust office of the Trustee and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

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 the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system 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 Services Inc., with offices at 400 Madison Avenue, 4th Floor, New York, New York 10017 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 or is (as the case may 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 section entitled "Description of 2020 Notes" for which no definition is provided.

"2018 CB" means any and all outstanding notes of the 4.25% convertible bonds due 2023 of the Company.

“2021 Notes” means any and all outstanding notes of the 6.25% Senior Notes due 2021 of the Company.

“2022 Notes” means any and all outstanding notes of the 8.25% Senior Notes due 2022 of the Company.

“2023 Notes” means any and all outstanding notes of the 7.50% Senior Notes due 2023 of the Company.

“2024 Notes” means any and all outstanding notes of the 9.50% Senior Notes due 2024 of the Company.

“2025 Notes” means any and all outstanding notes of the 8.75% Senior Notes due 2025 of the Company.

“2020 Private Notes” means any and all outstanding notes of the 8.00% Senior Notes due 2020 of the Company.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after March 23, 2020 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) and the term “Affiliated” shall be construed in accordance with the foregoing sentence. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the Notes at the maturity of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes

(but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant entitled “— Certain Covenants — Limitation on Restricted Payments;”
- (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 any Permitted Lien;
- (6) a transaction covered by the covenant entitled “— Consolidation, Merger and Sale of Assets;” and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company, any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts or deposits of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars or Hong Kong dollars into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) Permitted Holders are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the 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;

- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreement or any other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to March 23, 2020 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable maturity to March 23, 2020.

“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 available, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising

from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company and any Restricted Subsidiary) 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 Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after-tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains,

*provided* that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Core Business or a Designated 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.

“Core Businesses” means (i) real estate acquisition, development, leasing and management and (ii) any other business related, ancillary or complementary to the real estate businesses of the Company and its Restricted Subsidiaries, in each case, excluding any Designated Business.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Designated Businesses” means (i) any mineral water, food production, processing or trading, dairy, healthcare, plastic surgery, renewable energy, media, internet, sports, cultural, insurance and financial services business, (ii) any property management business and (iii) acquisition, development, management and operation of hotel properties, commercial properties, or sports, leisure or infrastructure facilities.

“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 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 Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants entitled “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” 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 covenants entitled “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event.”

“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 Restricted Subsidiary from the Company or another Restricted Subsidiary (whether directly or through or facilitated by a bank or other financial institution), provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a

Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means (i) any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee, 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 and (ii) any Restricted Subsidiary organized in any jurisdiction other than the PRC that is directly or indirectly owned by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司), Guangzhou Kailong Real Estate Company Limited (廣州市凱隆置業有限公司), Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. (深圳經濟特區房地產(集團)股份有限公司) or their successors shall be deemed an Exempted Subsidiary; *provided* that such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such Restricted Subsidiary ceasing to be owned directly or indirectly by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司), Guangzhou Kailong Real Estate Company Limited (廣州市凱隆置業有限公司), Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. (深圳經濟特區房地產(集團)股份有限公司) or their successors.

“Existing Bank Loans” means bank loans to either the Company or a Subsidiary Guarantor outstanding on the Original Issue Date that are secured by the Collateral and subject to the Intercreditor Agreement.

“Existing Notes” means the 2018 CB, the 2021 Notes, the 2022 Notes, the 2023 Notes, the 2024 Notes, the 2025 Notes and the 2020 Private Notes.

“Existing Pari Passu Secured Indebtedness” means the Existing Bank Loans and the Existing Notes.

“Existing Staged Acquisition Payments” means:

- (1) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 20% equity in Henan Software Institute Industrial Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on May 16, 2007 as amended or supplemented;
- (2) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB100 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 35% equity in Xi'an Qujiang Investment & Construction Co., Ltd., which the Company and its Restricted

Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 2, 2007 as amended or supplemented;

- (3) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB150 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 19.95% equity in Nanning Yinxiang Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 1, 2007 as amended or supplemented;
- (4) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB170 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 30% equity in Anhui Sanlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Hefei Co., Ltd. (恒大地產集團合肥有限公司) on September 6, 2009 as amended or supplemented;
- (5) the payment by the Company or any Restricted Subsidiary on or before March 31, 2010 of an amount not to exceed RMB19 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Hunan Xiongzheng Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on October 6, 2007 as amended or supplemented;
- (6) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB400 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Changsha Xinlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Changsha Property Co., Ltd. (恒大地產集團長沙置業有限公司) on July 5, 2009 as amended or supplemented;
- (7) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 15% equity in Hebei Dadi Panlong Property Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Shijiazhuang Co., Ltd. (恒大地產集團石家莊有限公司) on September 26, 2009 as amended or supplemented;
- (8) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB230 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 12% equity in Jiangxi Hongji Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 5, 2009 as amended or supplemented;
- (9) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB203 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 45% equity in

Evergrande Metropolis Taiyuan Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity cooperation agreement entered into by Hengda Real Estate Group Taiyuan Co., Ltd. (恒大地產集團太原有限公司) on July 11, 2009 as amended or supplemented;

- (10) the payment by the Company or any Restricted Subsidiary on or before December 31, 2011 of an amount not to exceed RMB600 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 60% equity in Changsha Baorui Real Estate Development Co., Ltd.) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 23, 2009 as amended or supplemented;
- (11) the payment by the Company or any Restricted Subsidiary on or before February 28, 2011 of an amount not to exceed RMB230 million equivalent in Hong Kong dollars (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of 100% equity in Fortune Luck Corporation Limited) pursuant to the equity purchase agreement entered into by Shengyu (BVI) Limited on December 16, 2009 as amended or supplemented; and
- (12) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB273 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 100% equity in Guizhou Guangjuyuan Real Estate Development Co., Ltd.) pursuant to the equity transfer and cooperation agreement entered into by Hengda Real Estate Group Gui Yang Co., Ltd. on December 24, 2009 as amended or supplemented.

“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, *provided* that in the case of a determination of Fair Market Value of total assets for the purposes of determining any JV Entitlement Amount, such price shall be determined by an accounting firm, appraisal firm or investment banking firm of international standing appointed by the Company.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a PRC Restricted Subsidiary.

“Fitch” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “Four Quarter Period”)) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day



of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;

- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.



“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include 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 the businesses of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not Affiliated with the Company.

“Intercreditor Agreement” has the meaning set forth under the section entitled “— Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the sections entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” and “— Certain Covenants — Limitation on Restricted Payments”, (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and 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 “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 Fitch or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody's or Fitch or both, as the case may be.

“Investment Property” means any property that is owned and held by any PRC Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“Investment Receipt” means, at any time, with respect to an Investment under clause (21) of the definition of “Permitted Investment”, an amount equal to the net reduction in all Investments made under clause (21) of the definition of “Permitted Investment” since the Original Issue Date resulting from (A) receipt of payments 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) with respect to Investments in Persons, the unconditional release of a Guarantee of any obligation of any Person provided under such clause (21) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (21) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) for any Investment in a Person, such Person becoming a Restricted Subsidiary (whereupon all 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 the definition of “Permitted Investment” definition).

“Jointly Controlled Entity” means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a “joint venture” in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

“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 or indirect equity ownership percentage of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Voting Stock of which is listed on a Qualified Exchange and any 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 Subsidiary of a Listed Subsidiary.

“Measurement Date” means January 27, 2010.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates.

“NDRC” means the National Development and Reform Commission of the PRC.

“NDRC Notice” means the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances (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) issued by the NDRC on September 14, 2015.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Core Businesses” means any business other than the Core Businesses. For the avoidance of doubt, Non-Core Businesses shall include, but not be limited to, the Designated Businesses.

“Non-Core Entity” means any Restricted Subsidiary which is primarily engaged, directly or indirectly, in a Non-Core Business.

“Non-Guarantor Subsidiaries” means the Exempted Subsidiaries, the Listed Subsidiaries, the New Non-Guarantor Subsidiaries, the Other Non-Guarantor Subsidiaries and the PRC Restricted Subsidiaries.

“Offer to Purchase” means an offer by the Company to purchase Notes from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company will deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted by the Company. 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 the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under 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 from legal counsel who is reasonably acceptable to the Trustee. The counsel may be counsel to the Company.

“Original Issue Date” means March 23, 2017.

“Pari Passu Subsidiary Guarantee” means any Indebtedness of a Subsidiary Guarantor Pledgor or a Guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Incurrence of such Indebtedness or Guarantee was permitted under the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and (2) such Indebtedness of such Subsidiary Guarantor Pledgor or such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor Pledgor, Subsidiary Guarantor or 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) any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the section entitled “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the section entitled “— Certain Covenants — Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Dr. Hui Ka Yan, Ms. Ding Yumei and any of their children;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and



- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant entitled “— 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 entitled “— 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 presold properties and issuance of the related land use title in the ordinary course of business;

- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) advances to government authorities or government-affiliated entities in the PRC in connection with the financing of primary land development in the ordinary course of business that are recorded as assets in the Company's balance sheet;
- (17) Guarantees permitted under clause 2(r) of the covenant under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (18) any Investment by the Company or any Restricted Subsidiary in any corporation, association or other business entity (such corporation, association or other business entity, an “Associate”); *provided* that:
  - (a) the aggregate amount of all Investments made after the Original Issue Date under this clause (18), less the aggregate amount of all Receipts received after the Original Issue Date in connection with any Investment in any Associate made after the Original Issue Date under this clause (18), shall not exceed 25% of Total Assets;
  - (b) the Company must be able to Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (1) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant; *provided* that, this paragraph (b) shall not apply if such Investment would otherwise have been permitted under this clause (18) and such Investment, together with the aggregate amount of all Investments made after the Original Issue Date in reliance on this proviso, less the aggregate amount of all Receipts received after the Original Issue Date in connection with any Investment in any Associate made after the Original Issue Date in reliance on this proviso, shall not exceed 12.5% of Total Assets (for purposes of this proviso, the references to “under clause (18)” in the definition of “Receipts” shall be substituted with “in reliance on the proviso in paragraph (b) of clause (18)”);
  - (c) no Default has occurred and is continuing or would occur as a result of such Investment;
  - (d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment pursuant to this clause (18), if such Associate has become a Restricted Subsidiary in compliance with the terms of the other covenants, all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition; and
  - (e) if any of the other holders of Capital Stock of such Associate is a Person described in clauses (x) or (y) of the first paragraph of the covenant described under “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates”, such Investment shall comply with the requirements set forth under the “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” covenant;

for the avoidance of doubt, the value of each Investment made pursuant to this clause (18) shall be valued at the time such Investment is made.

- (19) any Investment deemed to have been made by the Company or any Restricted Subsidiary in any Non-Core Entity of a Qualified Spin-off Group upon the designation of such Non-Core Entity as an Unrestricted Subsidiary;
- (20) any Investment by the Company or any Restricted Subsidiary in any trust, fund or asset management plan primarily engaged, directly or indirectly, in the investment in any real estate project acquired, developed, managed or operated by the Company or any Restricted Subsidiary; *provided* that none of the other holders of any interest of such trust, fund or asset management plan (other than holders that beneficially own in the aggregate no more than 10% of the Capital Stock of such trust, fund or asset management plan) is a Person described in clauses (x) or (y) 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 or a Restricted Subsidiary or being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company); and
- (21) any Investment by the Company or any Restricted Subsidiary, *provided* that the aggregate amount of all Investments made after the Original Issue Date under this clause (21), less the aggregate amount of all Investment Receipts received after the Original Issue Date in connection with any Investment made after the Original Issue Date under this clause (21), shall not exceed 1% of Total Assets.

“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, 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 any property of, or on 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 asset 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 do not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” *provided* that such Liens do not extend to or cover any property or asset of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under the section entitled “— Security — Permitted Pari Passu Secured Indebtedness;”
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) any such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or asset other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in

addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if such Lien is incurred in the ordinary course of business;

- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause 2(n) of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (23) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness or Preferred Stock permitted under clause (2)(q) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens Incurred on deposits or bank accounts made to secure Bank Deposit Secured Indebtedness permitted under clause (2)(s) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (25) Liens Incurred on deposits made to secure Entrusted Loans;
- (26) Liens securing Indebtedness Incurred under clause 2(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (27) (x) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary or (y) any interest or title of a lessor in the property securing any Capitalized Lease Obligation or any Attributable Indebtedness permitted under clause (2)(t) of the covenant described under the caption entitled “— 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 permitted to be Incurred under clause (2)(o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (29) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(u) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

(30) Liens securing Indebtedness permitted to be Incurred by any Restricted Subsidiary under clause (2)(p) of the covenant described under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and

(31) Liens on assets in the PRC securing obligations of any PRC Restricted Subsidiary that in the aggregate do not exceed 1% of Total Assets at any one time outstanding,

*provided that* for purposes of the Collateral, Permitted Liens shall mean Liens described in clauses (1), (13) and (14) above only.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under the section entitled “— 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, taken as a whole (excluding any Indebtedness of the Subsidiary Guarantors); *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f), (g) and (m) of the covenant entitled “Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 25% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“PRC CJV” means any future 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 31, 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 amended from time to time.

“PRC CJV Partner” means with respect to a PRC CJV, any other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a Guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided that*, any such Guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.



“Qualified Exchange” means either (1) The New York Stock Exchange, the Nasdaq Stock market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of the Voting Stock of a company on a Qualified Exchange; *provided* that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Qualified Spin-off Group” means, collectively, (i) any Non-Core Entity the Voting Stock of which is, or is expected to be pursuant to a definitive plan, listed on a Qualified Exchange in a Qualified Spin-off IPO, and (ii) the Subsidiaries of such Non-Core Entity.

“Qualified Spin-off IPO” means any Qualified IPO of a Non-Core Entity; *provided* that the Board of Directors of the Company has determined in good faith that the designation of such Non-Core Entity and its Subsidiaries as Unrestricted Subsidiaries is desirable to obtain approval from a Qualified Exchange for such Qualified IPO.

“Rating Agencies” means (1) Moody’s, (2) Fitch and (3) if Moody’s or Fitch or both shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody’s or Fitch’s or both, as the case may be.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (2) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (3) the equivalent of any such category of Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“1,” “2” and “3” for Moody’s; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody’s, a decline in a rating from “Ba1” to “Ba2,” as well as from “Ba” to “B1,” will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, the date that is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the date that is 90 days prior to the earlier of (x) the occurrence of any such action as set forth therein and (y) a public notice of the occurrence of any such action.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both Moody's and Fitch on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receipt" means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (18) of the definition of "Permitted Investment" since the Original Issue Date resulting from (A) receipt of payments by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (18) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment" definition).

"Relevant Total Assets" means, at any date of determination, the Total Assets of the Company, without counting the total consolidated assets of the Listed Subsidiaries (if any), 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 reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

"Renminbi" or "RMB" means yuan, the lawful currency of the PRC.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Replacement Assets" means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed properties held for sale) of a nature or type or that are used in (i) a Core Business or a Designated Business or (ii) the business for which the property or assets being replaced have been used.

"Repurchase Obligation" means the obligations to each Strategic Investor substantially as described under "Repurchase obligation or compensation" in the Announcement (or obligations similar to such obligations so described) and as contemplated in such Strategic Investor's Investment Agreement.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means, collectively, the Share Charges and any other agreements or instruments that may evidence or create, or purport to create, any Lien in favor of the Collateral Agent, in each case for the benefit of secured parties that shall include the Holders, in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees (including without limitation the Intercreditor Agreement).

“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.

“Share Charges” has the meaning given under “— Security.”

“Significant Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date, if any of the conditions exceeds 5%.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Strategic Investors” means Persons which have invested or will invest in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) pursuant to (i) the investment agreements (as may be amended and supplemented, the “Initial Investment Agreements”) announced by the

Company on December 31, 2016 (the “Announcement”) or (ii) investment agreements or agreements of a similar nature and with terms substantially similar to the Initial Investment Agreements (as may be amended and supplemented, the “Subsequent Investment Agreements” and together with the Initial Subsequent Investment Agreements, the “Investment Agreements”), *provided* that no such Persons are Affiliates of the Company and that the aggregate investment amount (calculated using the amount of the relevant investment on the date it is made) by such Persons in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) under the Investment Agreements does not exceed RMB60 billion. The term “Strategic Investor” means any of such Persons.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that “Subsidiary Guarantor” will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China or 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 or Hong Kong or any agency of any of the foregoing, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, 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 Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits or structured deposit products with a term not exceeding six months that are principal protected, in each case with any banks or financial institutions organized under the laws of the PRC or a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, Singapore or Hong Kong, which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof).

“Total Assets” of the Company means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that:

- (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” the amount of 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 the amount of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (2)(v) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, *pro forma* effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving *pro forma* effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).



“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“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.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” each of City Expert (Ningbo) Property Co., Ltd. (城博(寧波)置業有限公司), City Expert Limited (城博有限公司), Exalt Boom Investments Limited (晉昌投資有限公司), Exalt Prosper Limited (上盛有限公司), Fortex Development Limited (嘉達發展有限公司), Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司), Global City Development Limited, Ideal Market Holdings Limited (旭智控股有限公司), Key Alliance Investments Limited (建聯投資有限公司), Mass Thrive Holding Limited (群盛控股有限公司), Mass Thrive Limited (群盛有限公司), Ningbo Sanli Jiada Property Co., Ltd. (寧波三立嘉達置業有限公司), Ningbo Sanli Xianghe Property Co., Ltd. (寧波三立祥和置業有限公司), Ningbo Sanli Yongheng Property Co., Ltd. (寧波三立甬恒置業有限公司), Ningbo Yucheng Property Co., Ltd. (寧波御誠置業有限公司), Pioneer Time Investment Limited, Prosper Trade Investments Limited (興業投資有限公司), Ray Shine Group Limited (利輝集團有限公司) and Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大地產開發有限公司); (2) 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 (3) any Subsidiary of an Unrestricted Subsidiary.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary. However, for the purposes of the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees,” “Wholly Owned” means 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.



## DESCRIPTION OF 2021 NOTES

For purposes of this “Description of 2021 Notes” the term “Company” refers only to China Evergrande Group (formerly known as Evergrande Real Estate Group Limited), and any successor obligor on the Notes, and not to any of its subsidiaries and the term “Notes” refers to the 2021 Notes issued by the Company. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each subsidiary of the Company that in the future provides a “JV Subsidiary Guarantee” (as defined herein) is referred to as a “JV Subsidiary Guarantor”. The notes to be issued as described in this offering memorandum (the “Additional 2021 Notes”) have the same terms and conditions as the US\$598,181,000 6.25% senior notes due 2021 issued on the Original Issue Date (the “Original 2021 Notes” and, together with the Additional 2021 Notes, the “Notes”) in all respects except for the issue date, issue price, the accrual of interest for the Additional 2021 Notes, which will start from and including June 28, 2019 and certain temporary securities law transfer restrictions, and the Additional 2022 Notes and the Original 2021 Notes will vote together as one series on all matters with respect to the Notes. The Additional 2021 Notes will be represented by a temporary global note issued under temporary ISIN and Common Code numbers to be used during the 40-day distribution compliance period after the issue date of the Additional 2021 Notes, but thereafter is expected to be replaced by a permanent global note with the same ISIN and Common Code numbers as the Original 2021 Notes.

The Additional 2021 Notes are to be issued under an indenture (the “Indenture”), dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”). The Notes will be issued under the same Indenture and form a single series with the corresponding series of Exchange Notes. The Additional 2021 Notes offered hereby and the Original 2021 Notes will be treated as a single series for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement 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, the Intercreditor Agreement 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 are available at the corporate trust office of the Trustee at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

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 the Existing *Pari Passu* Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”

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

In addition, on the Original Issue Date, subject to the limitations described in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the section entitled “— Security” and will:

- be entitled to the benefit of a lien on the Collateral, to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness and any other creditors with respect to the Permitted Pari Passu Secured Indebtedness (or their representatives or agents), subject to any other Permitted Liens and the Intercreditor Agreement and to releases and discharges as permitted under the Indenture; and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Company will initially issue US\$875,000,000 in aggregate principal amount of the Additional 2021 Notes, which will mature on June 28, 2021 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 the section entitled “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of 2021 Notes” include any other Additional Notes that are actually issued. The Notes will bear interest at 6.25% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on June 28 and December 28 of each year (each an “Interest Payment Date”), which commenced on December 28, 2017.

Interest on the Notes, when in the form of Global Notes, will be paid to the Holders of record at the close of business on June 27 or December 27, and when in the form of Certificate Notes, on June 13 or December 13, immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium, if any, 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 Trustee then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such due date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the 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 and the Company will maintain an office or agency (which initially will be the office of the Paying Agent currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Republic of Ireland) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase. Notwithstanding the immediately preceding sentence, at the option of the Company with the consent of the Paying Agent (such consent not to be unreasonably withheld) payment of interest may instead be made by check mailed (at the expense of the Company) to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof. Notices and demands to or upon the Company in respect of the Notes and the Indenture may be served at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust office of the Trustee, currently located at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong).

### **The Subsidiary Guarantees and the JV Subsidiary Guarantees**

As of the date of this offering memorandum, the initial Subsidiary Guarantors are ANJI (BVI) Limited (安基(BVI)有限公司), Billion Mark Limited, Fengyu (BVI) Limited (豐域(BVI)有限公司), Full Hill Limited, Goldbridge Limited, Grandday Group Limited (朝隆集團有限公司), Honour Oasis Limited, Jiading Holdings Limited (嘉鼎控股有限公司), Jijian (BVI) Limited (嘉建(BVI)有限公司), Jiaying Holdings Limited (嘉穎控股有限公司), Jiayu Holdings Limited (嘉譽控股有限公司), Lucky Grow Holdings Limited (智煌控股有限公司), Pyramid Wealth Holdings Limited, Shengjian (BVI) Limited (盛建(BVI)有限公司), Value Depot Holdings Limited, and Yitong (BVI) Limited (億通(BVI)有限公司) which include all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). The Subsidiary Guarantors are holding companies that do not have significant operations.

Other than the above listed Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (the "Other Non-Guarantor Subsidiaries") would be a Subsidiary Guarantor on the issue date of the Additional 2021 Notes. In addition, none of the Restricted Subsidiaries existing on the Original Issue Date that are Subsidiaries organized under the laws of the PRC and the future Restricted Subsidiaries that are organized under the laws of the PRC (together, the "PRC Restricted Subsidiaries"), the Exempted Subsidiaries and the Listed Subsidiaries (as long as they continue to be Exempted Subsidiaries or Listed Subsidiaries, as applicable) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future.

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established, or commences investment for the purposes of commencing business activities, after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and that is not an Exempted Subsidiary or a Listed Subsidiary and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase Capital Stock of an entity and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for

(a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC and that are not Exempted Subsidiaries or Listed Subsidiaries, if the following conditions, in the case of both (a) and (b), are satisfied:

- concurrently with providing the JV Subsidiary Guarantee (as defined below), the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, an Exempted Subsidiary or a Listed Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which the JV Subsidiary Guarantor will become a party to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor (subject to releases and discharges as permitted under the Indenture), but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date it provides its JV Subsidiary Guarantee shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any such Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any such Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (b) requiring the Company or any such Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of June 30, 2018,

- the Company and its consolidated subsidiaries had total consolidated borrowings of approximately 671.1 billion (US\$101.4 billion); and
- the Non-Guarantor Subsidiaries and Unrestricted Subsidiaries had total borrowings of approximately RMB46.1 billion (US\$7.0 billion).

In addition, as of June 30, 2018, the Non-Guarantor Subsidiaries and Unrestricted Subsidiaries had capital commitments of approximately RMB0.4 billion (US\$0.1 billion) and contingent liabilities arising from guarantees of approximately RMB9.9 billion (US\$1.5 billion).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets (other than the Collateral) serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with the Indebtedness of such Subsidiary Guarantor under its subsidiary guarantee with respect to the Existing *Pari Passu* Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the 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 the Indebtedness of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee with respect to the Existing *Pari Passu* Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause (x) each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary and (y) each of its Exempted Subsidiaries and Listed Subsidiaries that remains as a Restricted Subsidiary, as soon as practicable after it ceases to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be (each such Person in clause (x) or (y), a

“Potential Subsidiary Guarantor”), 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 a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary organized under laws outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Potential Subsidiary Guarantor (Restricted Subsidiaries (other than the PRC Restricted Subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries and the Other Non-Guarantor Subsidiaries) that do not provide Subsidiary Guarantees or JV Subsidiary Guarantees in accordance with the Indenture, the “New Non-Guarantor Subsidiaries”), *provided* that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 20% of the Relevant Total Assets of the Company.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In addition, subject to the limitations described in the section entitled “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 security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor, as described below under the section entitled “— Security,” to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness and holders of the Permitted Pari Passu Secured Indebtedness (or their representatives or agents), subject to any other Permitted Liens and the Intercreditor Agreement; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, as supplemented from time to time, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.



Under the Indenture, as supplemented from time to time,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero. The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor 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 the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

#### ***Release of the Subsidiary Guarantees and JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under the section entitled "— Defeasance — Defeasance and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the sections entitled "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;

- in the case of a Subsidiary Guarantee, upon its replacement with a JV Subsidiary Guarantee;
- in the case of a Subsidiary Guarantor, upon its becoming a New Non-Guarantor Subsidiary in compliance with the terms of the Indenture; or
- when such Subsidiary Guarantor or JV Subsidiary Guarantor no longer Guarantees, or the Guarantee provided by such Subsidiary Guarantor or JV Subsidiary Guarantor is concurrently released with respect to, any Existing Pari Passu Secured Indebtedness and/or any Permitted Pari Passu Secured Indebtedness in compliance with the terms of the Indenture, provided that each of the Trustee and the Collateral Agent shall comply with a release request if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, 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) request the Trustee to release the Subsidiary Guarantee provided by such Subsidiary Guarantor and the Subsidiary Guarantee provided by each of its Restricted Subsidiaries organized under laws outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized under laws outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) request the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in each such New Non-Guarantor Subsidiary (in each case under (a) and (b), 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 under laws outside the PRC (other than the Exempted Subsidiaries and Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) do not account for more than 20% of the Relevant Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (x) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (y) 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 of the Trustee and the Collateral Agent shall comply with a request referred to in (a) or (b) above if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

### ***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale of existing Capital Stock or the issuance of new Capital Stock by the Company or any of its Restricted Subsidiaries in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- concurrently with the release of such Subsidiary Guarantee, the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, an Exempted Subsidiary or a Listed Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor becomes a party to the Indenture as a JV Subsidiary Guarantor, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor (subject to releases and discharges as permitted under the Indenture), but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into such JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV

Subsidiary Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the “Limitation on Asset Sales” and “Limitation on Restricted Payments” covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the “Limitation on Asset Sales” covenant.

As of the date of the Indenture, all of the Company’s Subsidiaries are “Restricted Subsidiaries” other than City Expert (Ningbo) Property Co., Ltd. (城博(寧波)置業有限公司), City Expert Limited (城博有限公司), Exalt Boom Investments Limited (晉昌投資有限公司), Exalt Prosper Limited (上盛有限公司), Fortex Development Limited (嘉達發展有限公司), Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司), Global City Development Limited, Ideal Market Holdings Limited (旭智控股有限公司), Key Alliance Investments Limited (建聯投資有限公司), Mass Thrive Holding Limited (群盛控股有限公司), Mass Thrive Limited (群盛有限公司), Ningbo Sanli Jiada Property Co., Ltd. (寧波三立嘉達置業有限公司), Ningbo Sanli Xianghe Property Co., Ltd. (寧波三立祥和置業有限公司), Ningbo Sanli Yongheng Property Co., Ltd. (寧波三立甬恒置業有限公司), Ningbo Yucheng Property Co., Ltd. (寧波御誠置業有限公司), Pioneer Time Investment Limited, Prosper Trade Investments Limited (興業投資有限公司), Ray Shine Group Limited (利輝集團有限公司), Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大地產開發有限公司) and Splendid Ritz Limited and any Subsidiary of these Subsidiaries. However, under the circumstances described below under the section entitled “— 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 Pledgors to pledge, as the case may be, the Capital Stock owned directly by the Company or the initial Subsidiary Guarantor Pledgors of each initial Subsidiary Guarantor (the “Collateral”), or extend the benefit of the security interest over the Collateral, subject to any Permitted Lien and the Intercreditor Agreement, 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 Pledgors under their respective Subsidiary Guarantees.

The Company and the initial Subsidiary Guarantor Pledgors pledged the Collateral on January 19, 2011, June 10, 2011, September 7, 2011, October 15, 2013, May 27, 2016 and September 29, 2016 (subject to Permitted Liens and the Intercreditor Agreement) in order to secure certain obligations of the Company and such initial Subsidiary Guarantor Pledgors, including the Existing Notes and the related subsidiary guarantees (the “Share Charges”).

The trustee for each series of the Existing Notes and the Collateral Agent entered into the Intercreditor Agreement dated January 19, 2011, as supplemented from time to time. See “— Intercreditor Agreement.”

The Subsidiary Guarantor Pledgors as of the date of this offering memorandum are:

- ANJI (BVI) Limited (安基(BVI)有限公司)
- Fengyu (BVI) Limited (豐域(BVI)有限公司)
- Grandday Group Limited (朝隆集團有限公司)
- Pyramid Wealth Holdings Limited
- Shengjian (BVI) Limited (盛建(BVI)有限公司)
- Value Depot Holdings Limited
- Yitong (BVI) Limited (億通(BVI)有限公司)

None of the Capital Stock of (i) the Non-Guarantor Subsidiaries (and Subsidiaries thereof) (for so long as they continue to be Non-Guarantor Subsidiaries) or (ii) any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary 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 Non-Guarantor Subsidiary (and Subsidiaries thereof) and any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary 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 directly by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent (as defined below).

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that (i) becomes a Restricted Subsidiary (other than any Non-Guarantor Subsidiary and its Subsidiaries and any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary) after the Original Issue Date, (ii) (in the case of an Exempted Subsidiary or a Listed Subsidiary that remains as a Restricted Subsidiary) has ceased to be either an Exempted Subsidiary or a Listed Subsidiary or (iii) (in the case of a Non-Guarantor Subsidiary that remains as a Restricted Subsidiary) has ceased to be a Non-Guarantor Subsidiary, as soon as reasonably practicable (but in any event within 30 days) after such Person has become a Restricted Subsidiary or has ceased to be an Exempted Subsidiary, a Listed Subsidiary or a Non-Guarantor Subsidiary, as applicable, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The value of the Collateral securing the Notes, the Existing Pari Passu Secured Indebtedness, the Subsidiary Guarantees, the subsidiary guarantees for the Existing Pari Passu Secured Indebtedness of the Subsidiary Guarantor Pledgors and the Permitted Pari Passu Secured Indebtedness (if any) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes, the Existing Pari Passu Secured Indebtedness, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, the subsidiary guarantees for the Existing Pari Passu Secured Indebtedness of the subsidiary guarantor pledgors and the Permitted Pari Passu Secured Indebtedness, and the Collateral securing these obligations 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 the sections entitled “— Release of Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the 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 and the Security Documents following an Event of Default would be sufficient to satisfy amounts due on the Notes, the Existing *Pari Passu* Secured Indebtedness, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, the subsidiary guarantees for the Existing *Pari Passu* Secured Indebtedness or the Permitted *Pari Passu* Secured Indebtedness. 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) and any *Pari Passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor (such Indebtedness of the Company and any such *Pari Passu* Subsidiary Guarantee, “Permitted *Pari Passu* Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the section entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (or their representative or agent) become party to the Intercreditor Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent an Opinion of Counsel and an 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, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and the Collateral Agent will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted *Pari Passu* Secured Indebtedness (the “Collateral Agent”).

Except for certain Permitted Liens and the Permitted *Pari Passu* Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.



### ***Intercreditor Agreement***

On January 19, 2011, the Company entered into an intercreditor agreement (as amended, waived, restated, replaced and/or supplemented from time to time, the “Intercreditor Agreement”) with, among others, the Subsidiary Guarantor Pledgors and the Collateral Agent, as acceded to by holders (or representatives, agents or trustees thereof) of Existing Pari Passu Secured Indebtedness.

On the Original Issue Date, the Trustee will accede to the Intercreditor Agreement, whereupon the Holders of the Notes will share equal priority and *pro rata* entitlement in and to the Collateral with the holders of any Existing Pari Passu Secured Indebtedness remaining outstanding after the Original Issue Date and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Immediately prior to the Original Issue Date, the Existing Pari Passu Secured Indebtedness amounted to an aggregate principal amount of US\$9,223,578,000 and HK\$18,000,000,000.

Prior to or concurrently with the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes) after the Original Issue Date, the Intercreditor Agreement may be amended, without requiring instruction from the Holders, to include the holders of such Permitted Pari Passu Secured Indebtedness (or their representative or agent) as additional secured parties to the agreement.

### ***Enforcement of Security***

The benefit of the Lien over the Collateral granted to the Collateral Agent will be extended to secure the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, subject to any Permitted Lien and the Intercreditor Agreement. Subject to the Intercreditor Agreement, the Collateral Agent (for the benefit the Holders), will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders (through the Trustee) to exercise remedies under the Security Documents. The Trustee has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture 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, subject to the Intercreditor Agreement, the Collateral Agent has the exclusive 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 the direction of the secured parties thereto, 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. However, although the Trustee may instruct the Collateral Agent to foreclose the Collateral upon the occurrence of an Event of Default that is continuing, such instruction may be overruled by a contrary instruction to the Collateral Agent from holders of more than 50% of the indebtedness that is subject to the Intercreditor Agreement. See the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness.”

The Intercreditor Agreement principally provides that, at any time while the Intercreditor Agreement is in force, the Collateral Agent has the exclusive right to manage, perform and enforce the terms of the Security Documents and the security documents for any Permitted Pari Passu Secured Indebtedness relating to the Collateral. See “—Intercreditor Agreement.”

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, in the following order of priority:

*first*, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any unpaid fees, costs and expenses (including expenses of any receiver appointed under any Security Document and reasonable expenses of its counsel) properly incurred in connection with its duties under the Intercreditor Agreement including without limitation, the collection, distribution or enforcement of such amounts held or realized or in connection with expenses properly incurred under the Intercreditor Agreement in enforcing all available remedies under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted Pari Passu Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the Collateral Agent is entitled to under the Security Documents;

*second*, to the extent not reimbursed under the above paragraph, to the trustee for each series of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for each Existing Bank Loan, the Trustee and, to the extent applicable, the holder of any Permitted Pari Passu Secured Indebtedness (in the case of a sole creditor of any series of Permitted Pari Passu Secured Indebtedness only) or the representative or agent of any holders of any series of Permitted Pari Passu Secured Indebtedness, to the extent necessary to reimburse the foregoing persons ratably for any unpaid fees, costs and expenses (including fees and expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable fees and expenses of counsel) reasonably incurred under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted Pari Passu Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted Pari Passu Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the Security Documents;

*third*, ratably to each of the trustee for each series of the Existing Notes for the benefit of the holders of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for the benefit of the lenders under each Existing Bank Loan, the Trustee for the benefit of the Holders and, to the extent applicable, to holders (or their representative or agent) of Permitted Pari Passu Secured Indebtedness, inclusive of any reasonable fees and expenses of each of the trustee for each series of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for each Existing Bank Loan, the Trustee and the holders (or their representative or agent) of Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the above second paragraph), and the principal, interest and premium thereon and for the benefit of the holders of each thereof in accordance with the terms of the relevant document governing the foregoing indebtedness; and

*lastly*, any surplus remaining after such payments will be paid to the Company (for itself and any Subsidiary Guarantor Pledgors) or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Collateral Agent nor any of its officers, directors, employees, attorneys or agents

will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, “— Enforcement of Security,” shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with the section entitled “— Permitted Pari Passu Secured Indebtedness” above.

### ***Release of Security***

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the section entitled “— Defeasance — Defeasance and Discharge;”
- upon certain dispositions of the Collateral in compliance with the covenants under the sections entitled “— 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 provisions under the section entitled “— 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;
- upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock previously granted by such Subsidiary Guarantor, now a JV Subsidiary Guarantor, in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- upon a Subsidiary Guarantor becoming a New Non-Guarantor Subsidiary, with respect to the release of any pledge of Capital Stock previously granted by such Subsidiary Guarantor, now a New Non-Guarantor Subsidiary, and the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Non-Guarantor Subsidiary;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor, and in accordance with the terms of the Indenture;

- 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, and in accordance with the terms of the Indenture; or
- with respect to the Lien over the Collateral (or any portion thereof) pledged to secure the Notes, either upon (i) the repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors under the Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness or (ii) the prior or concurrent release of the Lien on the Collateral securing all Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness; *provided* that in each case, no Default has occurred and is continuing on such date and no Default would have occurred as a result of such release, and each of the Trustee and the Collateral Agent shall comply with a release request if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

### **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 (if any)) 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) ("Additional Notes") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below and the other provisions of the Indenture.

### **Optional Redemption**

At any time prior to June 28, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to June 28, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.25% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any national securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) and/or the requirements of the clearing system; or

- (2) if the Notes are not listed on any national securities exchange and/or are not held through any clearing system, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

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

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s and the Subsidiary Guarantors’ then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See the section entitled “Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes and the Existing Notes upon a change of control triggering event.” The phrase “all or substantially all,” as used with respect to the assets of the Company in the definition of “Change of Control,” will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

## **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

## **Additional Amounts**

All payments by or on behalf of the Company, a Surviving Person (as defined under “—Consolidation, Merger and Sale of Assets”), a Subsidiary Guarantor, a JV Subsidiary Guarantor or a Subsidiary Guarantor Pledgor of principal of, and premium (if any) and interest on, the Notes and any payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) and under the Security Documents 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 or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Taxing Jurisdiction”) or any jurisdiction through which payments on the Notes or a Guarantee are made (or any political subdivision or taxing authority thereof or therein) (as applicable and together with the Relevant Taxing Jurisdictions, each, 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, the applicable Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor, as the case may be, will pay such additional amounts (“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 or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
  - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
    - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
    - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
    - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor, addressed to the Holder to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required by law to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or



- (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
  - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
  - (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
  - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, 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, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders and upon reasonable notice in advance of such notice to Holders (which notice shall be irrevocable), the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the “Tax Redemption Date”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant 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 (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or a 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, such Surviving

Person, 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 mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person, 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, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

### **Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

#### ***Limitation on Indebtedness and Preferred Stock***

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company or 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 to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
  - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
  - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;

- (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);
- (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor and none of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, in the case of the Company, the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, in the case of a JV Subsidiary Guarantor; *provided* further that, any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;
- (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 clauses (a), (b), (c), (e), (h), (o), (p), (q), (r), (s), (t), (u), (v) or (w) 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, 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, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or 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, 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, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, 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 or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor; and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of

any JV Subsidiary Guarantor (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to (A) Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (B) other derivative contracts entered into for non-speculative purposes in connection with the business of the Company or any of its Restricted Subsidiaries;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (q), (r), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% 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 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in

respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the “Limitation on Issuances of Guarantees by Restricted Subsidiaries” covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed 2% of Total Assets;
- (o) 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 Person enters into such Staged Acquisition Agreement; *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement;
- (p) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (r), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (r) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary) by the Company or such Restricted Subsidiary, if (x) the aggregate of all Indebtedness Incurred under this clause (r) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h) and (q) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets and (y) the aggregate of all Indebtedness Incurred under this clause (r) (together with refinancing thereof) does not exceed an amount equal to 7.5% of Total Assets;

- (s) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided* that on the date of Incurrence of such Indebtedness, the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q) and (r) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (t) (x) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary or (y) Capitalized Lease Obligations, or Attributable Indebtedness with respect to a Sale and Leaseback Transaction that would otherwise be permitted under the section entitled “Limitation on Sale and Leaseback Transactions,” Incurred by any PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (u) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets; and



- (w) Indebtedness Incurred or Preferred Stock issued in connection with any Investment made by a Strategic Investor in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) in an aggregate outstanding amount not exceeding RMB60 billion (calculated using the amount of such Investment on the date it is made).
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness 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 pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such Capital Stock) or any direct or indirect parent of the Company held by any Person other than the Company or any Wholly Owned Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes, any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant entitled “— 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 Measurement Date, shall exceed the sum of:
- (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2010 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 Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
  - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
  - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus
  - (v) US\$75.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) any dividend or distribution 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 a class of Capital Stock of such Restricted Subsidiary; *provided* that, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a *pro rata* basis or on a basis more favorable to the Company, as determined by the ownership of the Voting Stock;
- (6) the payment by Success Will Group Limited to Pearl River Investment Limited of unpaid dividends declared prior to the date of the Indenture in an amount not to exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (7) the payment by the Company of a dividend in respect of its Capital Stock, which dividend is declared on or prior to June 30, 2010, in an amount not to exceed the lesser of (x) US\$16.0 million (or the Dollar Equivalent thereof) and (y) 10% of the profit of the Company for the calendar year ending December 31, 2009, as shown on the audited consolidated financial statements of the Company;
- (8) any of the Existing Staged Acquisition Payments;
- (9) the purchase by a Restricted Subsidiary of Capital Stock in any PRC Restricted Subsidiary (not exceeding 20% of the total Capital Stock in such PRC Restricted Subsidiary) pursuant to an agreement entered into by such Restricted Subsidiary with an 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 PRC 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 (determined by multiplying the fair market value of such PRC Restricted Subsidiary by the percentage that such Capital Stock represents in the total Capital Stock of such PRC Restricted Subsidiary);

- (10) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (11) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by any Financial Company Investor in respect of any Preferred Stock issued or Indebtedness outstanding on the Original Issue Date or issued or Incurred under paragraph (2)(q) of the “Limitation on Indebtedness and Preferred Stock” covenant;
- (12) (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\$50.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (13) 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);
- (14) the redemption, repurchase or other acquisition of Capital Stock of any Restricted Subsidiary (not exceeding 50% of the total Capital Stock in such Restricted Subsidiary) from an Independent Third Party; or
- (15) any dividend or distribution declared, paid or made by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) to Strategic Investors in accordance with the terms of the Investment Agreements;

*provided* that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Subject to the immediately following paragraph, each Restricted Payment made 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 Payment.

Notwithstanding any other provision of this “Limitation on Restricted Payments” covenant, clause (b) of the first paragraph of this covenant does not have to be satisfied with respect to any Restricted Payment consisting solely of the declaration or payment of dividends in cash on the Common Stock of the Company or the repurchase of Common Stock of the Company on The Stock Exchange of Hong Kong Limited; *provided* that, starting from the Original Issue Date, the only amount of any Restricted Payment made pursuant to this paragraph that 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 shall be the excess amount, if any, of (x) the aggregate amount of all declarations and payments of dividends on such Common Stock during any fiscal year of the Company and price paid for all such

repurchased Common Stock during such fiscal year over (y) 35% of the consolidated profit for the year of the Company calculated in accordance with GAAP for the fiscal year immediately before such fiscal year.

The amount of any Restricted Payment (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 Payments 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 covenant entitled "— Limitation on Restricted Payments" 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.
- (2) The provisions of clause (1) do not apply to any encumbrances or restrictions:
  - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, the Existing Pari Passu Secured Indebtedness and the subsidiary guarantees and JV subsidiary guarantees thereof, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (b) existing under or by reason of applicable law, rule, regulation or order;

- (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants entitled “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales;”
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), 2(v) or 2(w) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” if the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced, *provided further* that, the Board of Directors is empowered to determine as to whether of the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;
- (g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee, *provided further* that, the Board of Directors is empowered to determine as to whether of the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or



- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

#### ***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) for the issuance or sale of the 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* that, paragraph (18)(b) of the definition of "Permitted Investments" shall not apply if such Investment would otherwise have been permitted under paragraph (18) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the covenant entitled "— Limitation on Asset Sales."

#### ***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, 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)(d) or (s) (in the case of clause (2)(s), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, 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, which, absent manifest error, may be conclusively evidenced by an Officers' Certificate from the Company certifying to that effect. The Trustee is fully protected in relying on such an Officers' Certificate with respect to such guarantee given by the relevant JV Subsidiary Guarantor. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

#### ***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$25.0 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\$50.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant entitled “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval for any such scheme;
- (6) any purchase of Capital Stock of the type specified in clause (9), (10) or (11) of the second paragraph of the covenant entitled “— Limitation on Restricted Payments;” and
- (7) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (12) 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 (including Permitted Investments that are permitted under paragraph (18) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one part and a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary on the other part; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary (other than those that beneficially own in the aggregate no more than 10% of the Capital Stock of such Restricted Subsidiary) is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary of the Company), or (c) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary (other than shareholders or partners that beneficially own in the aggregate no more than 10% of the Capital Stock of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary) is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

### ***Limitation on Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

#### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant entitled “— Limitation on Indebtedness and Preferred Stock” and (b) Incurred a Lien to secure such Indebtedness pursuant to the covenant entitled “— 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 such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant entitled “— Limitation on Asset Sales.”

#### ***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *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\$50.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee 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, as the case may be, 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, as the case may be, into cash, to the extent of the cash received in that conversion,

*provided that* clauses (1), (2) and (3) above shall not apply to (i) any Asset Sale to any Person that will, upon the consummation of such Asset Sale, become a Restricted Subsidiary, and (ii) any issuance or sale of Capital Stock to a Strategic Investor in order to satisfy a Repurchase Obligation or in connection with the proposed reorganization for which the Company made an announcement on October 3, 2016.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or Replacement Assets.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds 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 related Asset Sales,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased by the Company on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds (if any) from the sale of the Notes, in any amount, for any purpose other than (1) as specified under the caption “Use of Proceeds” in this offering memorandum (or in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary Guarantor provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company at the time of the designation; (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 entitled “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant entitled “— 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 entitled “— 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 entitled “— 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 entitled “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees;” and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned directly by the Company or any other Restricted Subsidiary shall be pledged to the extent required under the section entitled “— 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 business of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain,



maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor 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 at least two of the three Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from at least two of the three Rating Agencies, the provisions of the Indenture summarized under the following sections will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (2) “— Certain Covenants — Limitation on Restricted Payments;”
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “— Certain Covenants — Limitation on Sale and Leaseback Transactions;” and
- (7) “— Certain Covenants — Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under the section entitled “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

### ***Provision of Financial Statements and Reports***

- (1) So long as any of the Notes remains outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's shares of Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in 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 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) 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 quarters of the Company, copies of its unaudited financial statements (on a consolidated basis) 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 remains 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 two most recent fiscal semiannual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a firm policy of such external auditors not to provide such certification for any issuer; 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 are 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 covenant entitled “— Consolidation, Merger and Sale of Assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under the section entitled “— 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 Lien on the Collateral (subject to any Permitted Lien and the Intercreditor Agreement) in accordance with the covenant entitled “— Security;”
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (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 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 Subsidiary or for any substantial part of the property and assets of the Company or any Significant 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 Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company);

- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) 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; and
- (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 Collateral Agent ceases to have a security interest in the Collateral, subject to any Permitted Lien and the Intercreditor Agreement.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of the Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, or the Trustee may, in accordance with and subject to the Intercreditor Agreement, instruct the Collateral Agent to, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee may, and shall (subject to being indemnified and/or secured to its satisfaction) upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Collateral 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 the Trustee deems appropriate. See the section entitled “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in such Note, which right shall not be impaired or affected without the consent of the Holder.

Two 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 ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and the Subsidiary Guarantors' performance under the Indenture and that the Company and the Subsidiary Guarantors have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See the section entitled “— Certain Covenants — Provision of Financial Statements and Reports.”

### **Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda

or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, as the case may be, shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor 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 this section, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, 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 with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (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 first paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale or other disposition that complies with the “— Certain Covenants — Limitation on Asset Sales” covenant or any Subsidiary Guarantor 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 section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

Notwithstanding the foregoing, the Company and each Subsidiary Guarantor or JV Subsidiary Guarantor shall be permitted to 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 any Restricted Subsidiary or any Person that will, upon the consummation of such sale, conveyance, transfer, lease or disposal, become a Restricted Subsidiary.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, which may adversely affect Holders.

### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders in any jurisdiction where (A)(i) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Company, (ii) the payment of the consideration therefor or (iii)

the conduct or completion of a related offer to purchase or exchange the Notes for cash or other securities in the manner deemed appropriate by the Company would be prohibited or would require the Company or any of its Subsidiaries to (a) file a registration statement, prospectus or similar document or subject the Company or any of its Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), or conduct a bondholder identification exercise to establish the availability of an exemption from registration under Rule 802 under the Securities Act, in each case which the Company in its sole discretion determines would be burdensome, (b) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (c) generally consent to service of process in any such jurisdiction or (d) subject the Company or any of its Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject; or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

## **Defeasance**

### ***Defeasance and Discharge***

The Indenture provides that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;
- (3) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and
- (4) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

### ***Defeasance of Certain Covenants***

The Indenture further provides that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under the section entitled “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under the section entitled “— Certain Covenants,” other than as described under the sections entitled “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (ii) clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to such other events set forth in clause (i) above, clause (4) under “— Events of Default” with respect to such other covenants set forth in clause (i) above and clauses (5) and (6) under “— Events of Default” shall be deemed not to be Events of Default, upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and 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 with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However the Company will remain liable for such payments.

### **Amendments and Waiver**

#### ***Amendments Without Consent of Holders***

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be amended, without notice to or the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under the section entitled “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee 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 the relevant clearing system;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into the Intercreditor Agreement or any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);
- (11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of 2021 Notes” to the extent that such provision in this “Description of 2021 Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees; or
- (12) make any other change that does not materially and adversely affect the rights of any Holder.

#### ***Amendments With Consent of Holders***

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Subsidiary Guarantor Pledgors, the Trustee and the Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in aggregate principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, any Security Document or the Intercreditor Agreement; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on any Note;

- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects Holders;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects 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 any Note 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 any Note from that stated under the sections entitled “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company, 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 any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects Holders.

### **Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

### **No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

## **Concerning the Collateral Agent, the Trustee, the Paying Agent, the Transfer Agent and Registrar**

Citicorp International Limited has been appointed as Trustee under the Indenture and as Collateral Agent with regard to the Collateral under the Security Documents. Citibank, N.A., London Branch has been appointed as paying agent, transfer agent and registrar (the “Paying Agent,” the “Transfer Agent” and the “Registrar”; collectively, the “Agents”) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture, or the Intercreditor Agreement. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care, as applicable, and skill in its exercise of the rights and powers vested in them under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive amending, supplementing or replacing such Directive, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Citicorp International Limited acts as the initial Collateral Agent under the Security Documents in respect of the Lien over the Collateral and under the Intercreditor Agreement. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Security Documents and the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents and the Intercreditor Agreement that are in conflict with the interests of the Holders. The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture, the Security Documents and the Intercreditor Agreement, as applicable, for the benefit of the Holders unless such Holders have offered to the Trustee or the Collateral Agent, as the case may be, indemnity and/or security satisfactory to it against any loss, liability, cost or expense. Each Holder, by accepting the Notes, will agree, for the benefit of the Trustee and the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Collateral Agent in respect of such risks.

### **Book-Entry; Delivery and Form**

The Additional 2021 Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). When issued, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

#### ***Global Note***

Ownership of beneficial interests in the Global Note (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.



Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Collateral Agent or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

### ***Payments on the Global Note***

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the 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, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### ***Redemption of Global Note***

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar 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 U.S. dollar amount received by the common depositary,

Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

#### ***Action by Owners of Book-Entry Interests***

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

#### ***Transfers***

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

#### ***Global Clearance and Settlement Under the Book-Entry System***

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the Settlement Date against payment for value on the Settlement Date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

## ***Information Concerning Euroclear and Clearstream***

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Collateral Agent, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

### **Individual Definitive Notes**

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. 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 mails of the relevant

jurisdiction, if intended for the Company or any Subsidiary Guarantor, addressed to the Company or such Subsidiary Guarantor, as the case may be, or if intended for the Trustee, addressed to the Trustee at the corporate trust office of the Trustee and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

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 the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system 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 Services Inc., with offices at 400 Madison Avenue, 4th Floor, New York, New York 10017 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 or is (as the case may 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 section entitled "Description of 2021 Notes" for which no definition is provided.

"2018 CB" means any and all outstanding notes of the 4.25% convertible bonds due 2023 of the Company.

"2020 Notes" means any and all outstanding notes of the 7.0% Senior Notes due 2021 of the Company.

"2022 Notes" means any and all outstanding notes of the 8.25% Senior Notes due 2022 of the Company.

"2023 Notes" means any and all outstanding notes of the 7.50% Senior Notes due 2023 of the Company.

"2024 Notes" means any and all outstanding notes of the 9.50% Senior Notes due 2024 of the Company.

"2025 Notes" means any and all outstanding notes of the 8.75% Senior Notes due 2025 of the Company.

"2020 Private Notes" means any and all outstanding notes of the 8.00% Senior Notes due 2020 of the Company.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after June 28, 2021 yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2) and the term “Affiliated” shall be construed in accordance with the foregoing sentence. 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 at the maturity of the Note, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Note (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant entitled “— Certain Covenants — Limitation on Restricted Payments;”
- (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 any Permitted Lien;
- (6) a transaction covered by the covenant entitled “— Consolidation, Merger and Sale of Assets;” and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company, any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts or deposits of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars or Hong Kong dollars into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.



“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) Permitted Holders are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the 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;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreement or any other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to June 28, 2021 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable maturity to June 28, 2021.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is available, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company and any Restricted Subsidiary) 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 Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

- (4) the cumulative effect of a change in accounting principles;
- (5) any net after-tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains,

*provided* that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Core Business or a Designated 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.

“Core Businesses” means (i) real estate acquisition, development, leasing and management and (ii) any other business related, ancillary or complementary to the real estate businesses of the Company and its Restricted Subsidiaries, in each case, excluding any Designated Business.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Designated Businesses” means (i) any mineral water, food production, processing or trading, dairy, healthcare, plastic surgery, renewable energy, media, internet, sports, cultural, insurance and financial services business, (ii) any property management business and (iii) acquisition, development, management and operation of hotel properties, commercial properties, or sports, leisure or infrastructure facilities.

“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 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 Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants entitled “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” 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 covenants entitled “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event.”

“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 Restricted Subsidiary from the Company or another Restricted Subsidiary (whether directly or through or facilitated by a bank or other financial institution), provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means (i) any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee, 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 and (ii) any Restricted Subsidiary organized in any jurisdiction other than the PRC that is directly or indirectly owned by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司), Guangzhou Kailong Real Estate Company Limited (廣州市凱隆置業有限公司), Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. (深圳經濟特區房地產(集團)股份有限公司) or their successors shall be deemed an Exempted Subsidiary; *provided* that such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such Restricted Subsidiary ceasing to be owned directly or indirectly by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司), Guangzhou Kailong Real Estate Company Limited (廣州市凱隆置業有限公司), Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. (深圳經濟特區房地產(集團)股份有限公司) or their successors.

“Existing Bank Loans” means bank loans to either the Company or a Subsidiary Guarantor outstanding on the Original Issue Date that are secured by the Collateral and subject to the Intercreditor Agreement.

“Existing Notes” means the 2018 CB, the 2020 Notes, the 2022 Notes, the 2023 Notes, the 2024 Notes, the 2025 Notes and the 2020 Private Notes.

“Existing Pari Passu Secured Indebtedness” means the Existing Bank Loans and the Existing Notes.

“Existing Staged Acquisition Payments” means:

- (1) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 20% equity in Henan Software Institute Industrial Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on May 16, 2007 as amended or supplemented;
- (2) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB100 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 35% equity in Xi'an Qujiang Investment & Construction Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 2, 2007 as amended or supplemented;
- (3) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB150 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 19.95% equity in Nanning Yinxiang Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 1, 2007 as amended or supplemented;
- (4) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB170 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 30% equity in Anhui Sanlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Hefei Co., Ltd. (恒大地產集團合肥有限公司) on September 6, 2009 as amended or supplemented;



- (5) the payment by the Company or any Restricted Subsidiary on or before March 31, 2010 of an amount not to exceed RMB19 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Hunan Xiongzen Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on October 6, 2007 as amended or supplemented;
- (6) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB400 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Changsha Xinlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Changsha Property Co., Ltd. (恒大地產集團長沙置業有限公司) on July 5, 2009 as amended or supplemented;
- (7) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 15% equity in Hebei Dadi Panlong Property Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Shijiazhuang Co., Ltd. (恒大地產集團石家莊有限公司) on September 26, 2009 as amended or supplemented;
- (8) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB230 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 12% equity in Jiangxi Hongji Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 5, 2009 as amended or supplemented;
- (9) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB203 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 45% equity in Evergrande Metropolis Taiyuan Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity cooperation agreement entered into by Hengda Real Estate Group Taiyuan Co., Ltd. (恒大地產集團太原有限公司) on July 11, 2009 as amended or supplemented;
- (10) the payment by the Company or any Restricted Subsidiary on or before December 31, 2011 of an amount not to exceed RMB600 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 60% equity in Changsha Baorui Real Estate Development Co., Ltd.) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 23, 2009 as amended or supplemented;
- (11) the payment by the Company or any Restricted Subsidiary on or before February 28, 2011 of an amount not to exceed RMB230 million equivalent in Hong Kong dollars (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of 100% equity in Fortune Luck Corporation Limited) pursuant to the equity purchase agreement entered into by Shengyu (BVI) Limited on December 16, 2009 as amended or supplemented; and

- (12) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB273 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 100% equity in Guizhou Guangjuyuan Real Estate Development Co., Ltd.) pursuant to the equity transfer and cooperation agreement entered into by Hengda Real Estate Group Gui Yang Co., Ltd. on December 24, 2009 as amended or supplemented.

“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, *provided* that in the case of a determination of Fair Market Value of total assets for the purposes of determining any JV Entitlement Amount, such price shall be determined by an accounting firm, appraisal firm or investment banking firm of international standing appointed by the Company.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a PRC Restricted Subsidiary.

“Fitch” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “Four Quarter Period”)) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

- (d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;

- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include 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 the businesses of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the covenant entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock," and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not Affiliated with the Company.

“Intercreditor Agreement” has the meaning set forth under the section entitled “— Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the sections entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” and “— Certain Covenants — Limitation on Restricted Payments”, (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and 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 “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, a rating of “AAA,” “AA,” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch, or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody’s, S&P or Fitch 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 primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“Investment Receipt” means, at any time, with respect to an Investment under clause (21) of the definition of “Permitted Investment”, an amount equal to the net reduction in all Investments made under clause (21) of the definition of “Permitted Investment” since the Original Issue Date resulting from (A) receipt of payments 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) with respect to Investments in Persons, the unconditional release of a Guarantee of any obligation of any Person provided under such clause (21) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (21) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the

initial amount of such Investment, or (D) for any Investment in a Person, such Person becoming a Restricted Subsidiary (whereupon all 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 the definition of “Permitted Investment” definition).

“Jointly Controlled Entity” means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a “joint venture” in accordance with GAAP, and such Jointly Controlled Entity’s Subsidiaries.

“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 or indirect equity ownership percentage of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Voting Stock of which is listed on a Qualified Exchange and any 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 Subsidiary of a Listed Subsidiary.

“March 2020 Notes” means any and all outstanding notes of the 7.0% Senior Notes due 2020 of the Company.

“Measurement Date” means January 27, 2010.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates.



“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Core Businesses” means any business other than the Core Businesses. For the avoidance of doubt, Non-Core Businesses shall include, but not be limited to, the Designated Businesses.

“Non-Core Entity” means any Restricted Subsidiary which is primarily engaged, directly or indirectly, in a Non-Core Business.

“Non-Guarantor Subsidiaries” means the Exempted Subsidiaries, the Listed Subsidiaries, the New Non-Guarantor Subsidiaries, the Other Non-Guarantor Subsidiaries and the PRC Restricted Subsidiaries.

“Offer to Purchase” means an offer by the Company to purchase Notes from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;

- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company will deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted by the Company. 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 the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under 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 from legal counsel who is reasonably acceptable to the Trustee. The counsel may be counsel to the Company.

“Original Issue Date” means June 28, 2017.

“Pari Passu Subsidiary Guarantee” means any Indebtedness of a Subsidiary Guarantor Pledgor or a Guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Incurrence of such Indebtedness or Guarantee was permitted under the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and (2) such Indebtedness of such Subsidiary Guarantor Pledgor or such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor Pledgor, Subsidiary Guarantor or 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) any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the section entitled “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the section entitled “— Certain Covenants — Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Dr. Hui Ka Yan, Ms. Ding Yumei and any of their children;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant entitled “— 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 entitled “— 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 presold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) advances to government authorities or government-affiliated entities in the PRC in connection with the financing of primary land development in the ordinary course of business that are recorded as assets in the Company’s balance sheet;
- (17) Guarantees permitted under clause 2(r) of the covenant under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

- (18) any Investment by the Company or any Restricted Subsidiary in any corporation, association or other business entity (such corporation, association or other business entity, an “Associate”); *provided* that:
- (a) the aggregate amount of all Investments made after the Original Issue Date under this clause (18), less the aggregate amount of all Receipts received after the Original Issue Date in connection with any Investment in any Associate made after the Original Issue Date under this clause (18), shall not exceed 25% of Total Assets;
  - (b) the Company must be able to Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (1) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant; *provided* that, this paragraph (b) shall not apply if such Investment would otherwise have been permitted under this clause (18) and such Investment, together with the aggregate amount of all Investments made after the Original Issue Date in reliance on this proviso, less the aggregate amount of all Receipts received after the Original Issue Date in connection with any Investment in any Associate made after the Original Issue Date in reliance on this proviso, shall not exceed 12.5% of Total Assets (for purposes of this proviso, the references to “under clause (18)” in the definition of “Receipts” shall be substituted with “in reliance on the proviso in paragraph (b) of clause (18)”);
  - (c) no Default has occurred and is continuing or would occur as a result of such Investment;
  - (d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment pursuant to this clause (18), if such Associate has become a Restricted Subsidiary in compliance with the terms of the other covenants, all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition; and
  - (e) if any of the other holders of Capital Stock of such Associate is a Person described in clauses (x) or (y) of the first paragraph of the covenant described under “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates”, such Investment shall comply with the requirements set forth under the “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” covenant;

for the avoidance of doubt, the value of each Investment made pursuant to this clause (18) shall be valued at the time such Investment is made.

- (19) any Investment deemed to have been made by the Company or any Restricted Subsidiary in any Non-Core Entity of a Qualified Spin-off Group upon the designation of such Non-Core Entity as an Unrestricted Subsidiary;
- (20) any Investment by the Company or any Restricted Subsidiary in any trust, fund or asset management plan primarily engaged, directly or indirectly, in the investment in any real estate project acquired, developed, managed or operated by the Company or any Restricted Subsidiary; *provided* that none of the other holders of any interest of such trust, fund or asset management plan (other than holders that beneficially own in the aggregate no more than 10% of the Capital Stock of such trust, fund or asset management plan) is a Person described in clauses (x) or (y) 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 or a Restricted Subsidiary or being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company); and

- (21) any Investment by the Company or any Restricted Subsidiary, *provided* that the aggregate amount of all Investments made after the Original Issue Date under this clause (21), less the aggregate amount of all Investment Receipts received after the Original Issue Date in connection with any Investment made after the Original Issue Date under this clause (21), shall not exceed 1% of Total Assets.

“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, 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 any property of, or on 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 asset 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 do not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”



- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” *provided* that such Liens do not extend to or cover any property or asset of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under the section entitled “— Security — Permitted Pari Passu Secured Indebtedness;”
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) any such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or asset other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if such Lien is incurred in the ordinary course of business;
- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

- (22) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause 2(n) of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (23) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness or Preferred Stock permitted under clause (2)(q) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens Incurred on deposits or bank accounts made to secure Bank Deposit Secured Indebtedness permitted under clause (2)(s) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (25) Liens Incurred on deposits made to secure Entrusted Loans;
- (26) Liens securing Indebtedness Incurred under clause 2(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (27) (x) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary or (y) any interest or title of a lessor in the property securing any Capitalized Lease Obligation or any Attributable Indebtedness permitted under clause (2)(t) of the covenant described under the caption entitled “— 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 permitted to be Incurred under clause (2)(o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (29) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(u) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (30) Liens securing Indebtedness permitted to be Incurred by any Restricted Subsidiary under clause (2)(p) of the covenant described under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (31) Liens on assets in the PRC securing obligations of any PRC Restricted Subsidiary that in the aggregate do not exceed 1% of Total Assets at any one time outstanding,

*provided that* for purposes of the Collateral, Permitted Liens shall mean Liens described in clauses (1), (13) and (14) above only.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under the section entitled “— 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, taken as a whole (excluding any Indebtedness of the Subsidiary Guarantors); *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f), (g) and (m) of the covenant entitled “Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 25% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“PRC CJV” means any future 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 31, 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 amended from time to time.

“PRC CJV Partner” means with respect to a PRC CJV, any other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a Guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such Guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) The New York Stock Exchange, the Nasdaq Stock market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of the Voting Stock of a company on a Qualified Exchange; *provided* that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Qualified Spin-off Group” means, collectively, (i) any Non-Core Entity the Voting Stock of which is, or is expected to be pursuant to a definitive plan, listed on a Qualified Exchange in a Qualified Spin-off IPO, and (ii) the Subsidiaries of such Non-Core Entity.

“Qualified Spin-off IPO” means any Qualified IPO of a Non-Core Entity; *provided* that the Board of Directors of the Company has determined in good faith that the designation of such Non-Core Entity and its Subsidiaries as Unrestricted Subsidiaries is desirable to obtain approval from a Qualified Exchange for such Qualified IPO.

“Rating Agencies” means (1) Moody’s, (2) S&P, (3) Fitch; provided that if Moody’s, S&P or Fitch, two 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 Moody’s, S&P, Fitch, two of the three or all three of them, as the case may be.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (2) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” and “D” (or equivalent successor categories); (3) with respect to Fitch, 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 Moody’s, S&P or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“1,” “2” and “3” for Moody’s; “+” and “-” for S&P and Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody’s, a decline in a rating from “Ba1” to “Ba2,” as well as from “Ba” to “B1,” will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, the date that is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the date that is 90 days prior to the earlier of (x) the occurrence of any such action as set forth therein and (y) a public notice of the occurrence of any such action.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (2) in connection with actions contemplated under the section entitled “— 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 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 Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are rated by three or less than the three Rating Agencies and are rated below Investment Grade by all such 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).

“Receipt” means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (18) of the definition of “Permitted Investment” since the Original Issue Date resulting from (A) receipt of payments by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances,

dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (18) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition).

“Relevant Total Assets” means, at any date of determination, the Total Assets of the Company, without counting the total consolidated assets of the Listed Subsidiaries (if any), 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 reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Renminbi” or “RMB” means yuan, the lawful currency of the PRC.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed properties held for sale) of a nature or type or that are used in (i) a Core Business or a Designated Business or (ii) the business for which the property or assets being replaced have been used.

“Repurchase Obligation” means the obligations to each Strategic Investor substantially as described under “Repurchase obligation or compensation” in the Announcement (or obligations similar to such obligations so described) and as contemplated in such Strategic Investor’s Investment Agreement.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means, collectively, the Share Charges and any other agreements or instruments that may evidence or create, or purport to create, any Lien in favor of the Collateral Agent, in each case for the benefit of secured parties that shall include the Holders, in any or all of the

Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees (including without limitation the Intercreditor Agreement).

“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.

“Share Charges” has the meaning given under “— Security.”

“Significant Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date, if any of the conditions exceeds 5%.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Strategic Investors” means Persons which have invested or will invest in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) pursuant to (i) the investment agreements (as may be amended and supplemented, the “Initial Investment Agreements”) announced by the Company on December 31, 2016 (the “Announcement”) or (ii) investment agreements or agreements of a similar nature and with terms substantially similar to the Initial Investment Agreements (as may be amended and supplemented, the “Subsequent Investment Agreements” and together with the Initial Subsequent Investment Agreements, the “Investment Agreements”), *provided* that no such Persons are Affiliates of the Company and that the aggregate investment amount (calculated using the amount of the relevant investment on the date it is made) by such Persons in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) under the Investment Agreements does not exceed RMB60 billion. The term “Strategic Investor” means any of such Persons.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.



“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that “Subsidiary Guarantor” will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China or 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 or Hong Kong or any agency of any of the foregoing, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, 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 Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;

- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits or structured deposit products with a term not exceeding six months that are principal protected, in each case with any banks or financial institutions organized under the laws of the PRC or a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, Singapore or Hong Kong, which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof).

“Total Assets” of the Company means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that:

- (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” the amount of 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 the amount of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (2)(v) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, *pro forma* effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving *pro forma* effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“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.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” each of City Expert (Ningbo) Property Co., Ltd. (城博(寧波)置業有限公司), City Expert Limited (城博有限公司), Exalt Boom Investments Limited (晉昌投資有限公司), Exalt Prosper Limited (上盛有限公司), Fortex Development Limited (嘉達發展有限公司), Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司), Global City Development Limited, Ideal Market Holdings Limited (旭智控股有限公司), Key Alliance Investments Limited (建聯投資有限公司), Mass Thrive Holding Limited (群盛控股有限公司), Mass Thrive Limited (群盛有限公司), Ningbo Sanli Jiada Property Co., Ltd. (寧波三立嘉達置業有限公司), Ningbo Sanli Xianghe Property Co., Ltd. (寧波三立祥和置業有限公司), Ningbo Sanli Yongheng Property Co., Ltd. (寧波三立甬恒置業有限公司), Ningbo Yucheng Property Co., Ltd. (寧波御誠置業有限公司), Pioneer Time Investment Limited, Prosper Trade Investments Limited (興業投資有限公司), Ray Shine Group Limited (利輝集團有限公司) and Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大地產開發有限公司); (2) 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 (3) any Subsidiary of an Unrestricted Subsidiary.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary. However, for the purposes of the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees,” “Wholly Owned” means 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.

## DESCRIPTION OF 2022 NOTES

For purposes of this “Description of 2022 Notes” the term “Company” refers only to China Evergrande Group (formerly known as Evergrande Real Estate Group Limited), and any successor obligor on the Notes, and not to any of its subsidiaries and the term “Notes” refers to the 2022 Notes issued by the Company. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each subsidiary of the Company that in the future provides a “JV Subsidiary Guarantee” (as defined herein) is referred to as a “JV Subsidiary Guarantor”. The notes to be issued as described in this offering memorandum (the “Additional 2022 Notes”) have the same terms and conditions as the US\$1,000,000,000 8.25% senior notes due 2022 issued on the Original Issue Date (the “Original 2022 Notes” and, together with the Additional 2022 Notes, the “Notes”) in all respects except for the issue date, issue price, the accrual of interest for the Additional 2022 Notes, which will start from and including March 23, 2019 and certain temporary securities law transfer restrictions, and the Additional 2022 Notes and the Original 2022 Notes will vote together as one series on all matters with respect to the Notes. The Additional 2022 Notes will be represented by a temporary global note issued under temporary ISIN and Common Code numbers to be used during the 40-day distribution compliance period after the issue date of the Additional 2022 Notes, but thereafter is expected to be replaced by a permanent global note with the same ISIN and Common Code numbers as the Original 2022 Notes.

The Additional 2022 Notes are to be issued under an indenture (the “Indenture”), dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”). The Additional 2022 Notes offered hereby and the Original 2022 Notes will be treated as a single series for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement 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, the Intercreditor Agreement 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 are available at the corporate trust office of the Trustee at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

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 the Existing *Pari Passu* Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets (other than the Collateral) serving as security therefor; and

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

In addition, on the Original Issue Date, subject to the limitations described in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the section entitled “— Security” and will:

- be entitled to the benefit of a lien on the Collateral, to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness and any other creditors with respect to the Permitted Pari Passu Secured Indebtedness (or their representatives or agents), subject to any other Permitted Liens and the Intercreditor Agreement and to releases and discharges as permitted under the Indenture; and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Company will initially issue US\$1,025,000,000 in aggregate principal amount of the Additional 2022 Notes, which will mature on March 23, 2022 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 the section entitled “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of 2022 Notes” include any other Additional Notes that are actually issued. The Notes will bear interest at 8.25% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on March 23 and September 23 of each year (each an “Interest Payment Date”), which commenced on September 23, 2017.

Interest on the Notes, when in the form of Global Notes, will be paid to the Holders of record at the close of business on March 22 or September 22, and when in the form of Certificate Notes, on March 8 or September 8, immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium, if any, 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 Trustee then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such due date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the 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 and the Company will maintain an office or agency (which initially will be the office of the Paying Agent currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Republic of Ireland) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase. Notwithstanding the immediately preceding sentence, at the option of the Company with the consent of the Paying Agent (such consent not to be unreasonably withheld) payment of interest may instead be made by check mailed (at the expense of the Company) to



the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof. Notices and demands to or upon the Company in respect of the Notes and the Indenture may be served at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust office of the Trustee, currently located at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong).

### **The Subsidiary Guarantees and the JV Subsidiary Guarantees**

As of the date of this offering memorandum, the initial Subsidiary Guarantors are ANJI (BVI) Limited (安基(BVI)有限公司), Billion Mark Limited, Fengyu (BVI) Limited (豐域(BVI)有限公司), Full Hill Limited, Goldbridge Limited, Grandday Group Limited (朝隆集團有限公司), Honour Oasis Limited, Jiading Holdings Limited (嘉鼎控股有限公司), Jiajian (BVI) Limited (嘉建(BVI)有限公司), Jiaying Holdings Limited (嘉穎控股有限公司), Jiayu Holdings Limited (嘉譽控股有限公司), Lucky Grow Holdings Limited (智煌控股有限公司), Pyramid Wealth Holdings Limited, Shengjian (BVI) Limited (盛建(BVI)有限公司), Value Depot Holdings Limited, and Yitong (BVI) Limited (億通(BVI)有限公司), which include all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). The Subsidiary Guarantors are holding companies that do not have significant operations.

Other than the above listed Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (the "Other Non-Guarantor Subsidiaries") would be a Subsidiary Guarantor on the issue date of the Additional 2022 Notes. In addition, none of the Restricted Subsidiaries existing on the Original Issue Date that are Subsidiaries organized under the laws of the PRC and the future Restricted Subsidiaries that are organized under the laws of the PRC (together, the "PRC Restricted Subsidiaries"), the Exempted Subsidiaries and the Listed Subsidiaries (as long as they continue to be Exempted Subsidiaries or Listed Subsidiaries, as applicable) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future.

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established, or commences investment for the purposes of commencing business activities, after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and that is not an Exempted Subsidiary or a Listed Subsidiary and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase Capital Stock of an entity and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC and that are not Exempted Subsidiaries or Listed Subsidiaries, if the following conditions, in the case of both (a) and (b), are satisfied:

- concurrently with providing the JV Subsidiary Guarantee (as defined below), the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, an Exempted Subsidiary or a Listed Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which the JV Subsidiary Guarantor will become a party to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which



provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

- (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor (subject to releases and discharges as permitted under the Indenture), but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
  - all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date it provides its JV Subsidiary Guarantee shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
  - as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any such Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any such Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (b) requiring the Company or any such Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of June 30, 2018,

- the Company and its consolidated subsidiaries had total consolidated borrowings of approximately RMB671.1 billion (US\$101.4 billion), all of which were secured; and
- the Non-Guarantor Subsidiaries and Unrestricted Subsidiaries had total borrowings of approximately RMB46.1 billion (US\$7.0 billion).

In addition, as of June 30, 2018, the Non-Guarantor Subsidiaries and Unrestricted Subsidiaries had capital commitments of approximately RMB0.4 billion (US\$0.1 billion) and contingent liabilities arising from guarantees of approximately RMB9.9 billion (US\$1.5 billion).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets (other than the Collateral) serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with the Indebtedness of such Subsidiary Guarantor under its subsidiary guarantee with respect to the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the 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 the Indebtedness of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee with respect to the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause (x) each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary and (y) each of its Exempted Subsidiaries and Listed Subsidiaries that remains as a Restricted Subsidiary, as soon as practicable after it ceases to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be (each such Person in clause (x) or (y), a “Potential Subsidiary Guarantor”), 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 a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary organized under laws outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Potential Subsidiary Guarantor (Restricted Subsidiaries (other than the PRC Restricted Subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries and the Other Non-Guarantor Subsidiaries) that do not provide Subsidiary Guarantees or JV Subsidiary Guarantees in accordance with the Indenture, the “New Non-Guarantor Subsidiaries”), *provided* that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 20% of the Relevant Total Assets of the Company.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In addition, subject to the limitations described in the sections entitled “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 security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor, as described below under the section entitled “— Security,” to be shared on a *pari passu* basis with holders of the Existing Pari Passu Secured Indebtedness and holders of the Permitted Pari Passu Secured Indebtedness (or their representatives or agents), subject to any other Permitted Liens and the Intercreditor Agreement; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, as supplemented from time to time, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, as supplemented from time to time,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor’s liability on its Subsidiary Guarantee or a

JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero. The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor 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 the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

### ***Release of the Subsidiary Guarantees and JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under the section entitled "— Defeasance — Defeasance and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the sections entitled "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon its replacement with a JV Subsidiary Guarantee;
- in the case of a Subsidiary Guarantor, upon its becoming a New Non-Guarantor Subsidiary in compliance with the terms of the Indenture; or
- when such Subsidiary Guarantor or JV Subsidiary Guarantor no longer Guarantees, or the Guarantee provided by such Subsidiary Guarantor or JV Subsidiary Guarantor is concurrently released with respect to, any Existing Pari Passu Secured Indebtedness and/or any Permitted Pari Passu Secured Indebtedness in compliance with the terms of the Indenture, provided that each of the Trustee and the Collateral Agent shall comply with a release request if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, 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) request the Trustee to release the Subsidiary Guarantee provided by such Subsidiary Guarantor and the Subsidiary Guarantee provided by each of its Restricted Subsidiaries organized under laws outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized under laws outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) request the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in each such New Non-Guarantor Subsidiary (in each case under (a) and (b), 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 under laws outside the PRC (other than the Exempted Subsidiaries and Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) do not account for more than 20% of the Relevant Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (x) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (y) 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 of the Trustee and the Collateral Agent shall comply with a request referred to in (a) or (b) above if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

#### ***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale of existing Capital Stock or the issuance of new Capital Stock by the Company or any of its Restricted Subsidiaries in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- concurrently with the release of such Subsidiary Guarantee, the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, an Exempted Subsidiary or a Listed Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor becomes a party to the Indenture as a JV Subsidiary Guarantor, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor (subject to releases and discharges as permitted under the Indenture), but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;



- (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
  - all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into such JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
  - as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries are "Restricted Subsidiaries" other than City Expert (Ningbo) Property Co., Ltd. (城博(寧波)置業有限公司), City Expert Limited (城博有限公司), Exalt Boom Investments Limited (晉昌投資有限公司), Exalt Prosper Limited (上盛有限公司), Fortex Development Limited (嘉達發展有限公司), Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司), Global City Development Limited, Ideal Market Holdings Limited (旭智控股有限公司), Key Alliance Investments Limited (建聯投資有限公司), Mass Thrive Holding Limited (群盛控股有限公司), Mass Thrive Limited (群盛有限公司), Ningbo Sanli Jiada Property Co., Ltd. (寧波三立嘉達置業有限公司), Ningbo Sanli Xianghe Property Co., Ltd. (寧波三立祥和置業有限公司), Ningbo Sanli Yongheng Property Co., Ltd. (寧波三立甬恒置業有限公司), Ningbo Yucheng Property Co., Ltd. (寧波御誠置業有限公司), Pioneer Time Investment Limited, Prosper Trade Investments Limited (興業投資有限公司), Ray Shine Group Limited (利輝集團有限公司), Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大地產開發有限公司) and Splendid Ritz Limited and any Subsidiary of these Subsidiaries. However, under the circumstances described below under the section entitled "— 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 Pledgors to pledge, as the case may be, the Capital Stock owned directly by the Company or the initial Subsidiary Guarantor Pledgors of each initial Subsidiary Guarantor (the “Collateral”), or extend the benefit of the security interest over the Collateral, subject to any Permitted Lien and the Intercreditor Agreement, 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 Pledgors under their respective Subsidiary Guarantees.

The Company and the initial Subsidiary Guarantor Pledgors pledged the Collateral on January 19, 2011, June 10, 2011, September 7, 2011, October 15, 2013, May 27, 2016 and September 29, 2016 (subject to Permitted Liens and the Intercreditor Agreement) in order to secure certain obligations of the Company and such initial Subsidiary Guarantor Pledgors, including the Existing Notes and the related subsidiary guarantees (the “Share Charges”).

The trustee for each series of the Existing Notes and the Collateral Agent entered into the Intercreditor Agreement dated January 19, 2011, as supplemented from time to time. See “— Intercreditor Agreement.”

The Subsidiary Guarantor Pledgors as of the date of this offering memorandum are:

- ANJI (BVI) Limited (安基(BVI)有限公司)
- Fengyu (BVI) Limited (豐域(BVI)有限公司)
- Grandday Group Limited (朝隆集團有限公司)
- Pyramid Wealth Holdings Limited
- Shengjian (BVI) Limited (盛建(BVI)有限公司)
- Value Depot Holdings Limited
- Yitong (BVI) Limited (億通(BVI)有限公司)

None of the Capital Stock of (i) the Non-Guarantor Subsidiaries (and Subsidiaries thereof) (for so long as they continue to be Non-Guarantor Subsidiaries) or (ii) any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary 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 Non-Guarantor Subsidiary (and Subsidiaries thereof) and any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary 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 directly by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent (as defined below).

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that (i) becomes a Restricted Subsidiary (other

than any Non-Guarantor Subsidiary and its Subsidiaries and any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary) after the Original Issue Date, (ii) (in the case of an Exempted Subsidiary or a Listed Subsidiary that remains as a Restricted Subsidiary) has ceased to be either an Exempted Subsidiary or a Listed Subsidiary or (iii) (in the case of a Non-Guarantor Subsidiary that remains as a Restricted Subsidiary) has ceased to be a Non-Guarantor Subsidiary, as soon as reasonably practicable (but in any event within 30 days) after such Person has become a Restricted Subsidiary or has ceased to be an Exempted Subsidiary, a Listed Subsidiary or a Non-Guarantor Subsidiary, as applicable, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The value of the Collateral securing the Notes, the Existing *Pari Passu* Secured Indebtedness, the Subsidiary Guarantees, the subsidiary guarantees for the Existing *Pari Passu* Secured Indebtedness of the Subsidiary Guarantor Pledgors and the Permitted *Pari Passu* Secured Indebtedness (if any) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes, the Existing *Pari Passu* Secured Indebtedness, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, the subsidiary guarantees for the Existing *Pari Passu* Secured Indebtedness of the subsidiary guarantor pledgors and the Permitted *Pari Passu* Secured Indebtedness, and the Collateral securing these obligations 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 the sections entitled “— Release of Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the 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 and the Security Documents following an Event of Default would be sufficient to satisfy amounts due on the Notes, the Existing *Pari Passu* Secured Indebtedness, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, the subsidiary guarantees for the Existing *Pari Passu* Secured Indebtedness or the Permitted *Pari Passu* Secured Indebtedness. 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) and any *Pari Passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor (such Indebtedness of the Company and any such *Pari Passu* Subsidiary Guarantee, “Permitted *Pari Passu* Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the section entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (or their representative or agent) become party to the Intercreditor

Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent an Opinion of Counsel and an 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, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and the Collateral Agent will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness (the "Collateral Agent").

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

### ***Intercreditor Agreement***

On January 19, 2011, the Company entered into an intercreditor agreement (as amended, waived, restated, replaced and/or supplemented from time to time, the "Intercreditor Agreement") with, among others, the Subsidiary Guarantor Pledgors and the Collateral Agent, as acceded to by holders (or representatives, agents or trustees thereof) of Existing Pari Passu Secured Indebtedness.

On the Original Issue Date, the Trustee will accede to the Intercreditor Agreement, whereupon the Holders of the Notes will share equal priority and *pro rata* entitlement in and to the Collateral with the holders of any Existing Pari Passu Secured Indebtedness remaining outstanding after the Original Issue Date and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Immediately prior to the Original Issue Date, the Existing Pari Passu Secured Indebtedness amounted to an aggregate principal amount of US\$9,223,578,000 and HK\$18,000,000,000.

Prior to or concurrently with the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes) after the Original Issue Date, the Intercreditor Agreement may be amended, without requiring instruction from the Holders, to include the holders of such Permitted Pari Passu Secured Indebtedness (or their representative or agent) as additional secured parties to the agreement.

### ***Enforcement of Security***

The benefit of the Lien over the Collateral granted to the Collateral Agent will be extended to secure the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, subject to any Permitted Lien and the Intercreditor Agreement. Subject to the Intercreditor Agreement, the Collateral Agent (for the benefit the Holders), will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders (through the Trustee) to exercise remedies under the Security Documents. The Trustee has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture 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, subject to the Intercreditor Agreement, the Collateral Agent has the exclusive 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 the direction of the secured parties thereto, 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. However, although the Trustee may instruct the Collateral Agent to foreclose the Collateral upon the occurrence of an Event of Default that is continuing, such instruction may be overruled by a contrary instruction to the Collateral Agent from holders of more than 50% of the indebtedness that is subject to the Intercreditor Agreement. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness.”

The Intercreditor Agreement principally provides that, at any time while the Intercreditor Agreement is in force, the Collateral Agent has the exclusive right to manage, perform and enforce the terms of the Security Documents and the security documents for any Permitted *Pari Passu* Secured Indebtedness relating to the Collateral. See “— Intercreditor Agreement.”

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, in the following order of priority:

*first*, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any unpaid fees, costs and expenses (including expenses of any receiver appointed under any Security Document and reasonable expenses of its counsel) properly incurred in connection with its duties under the Intercreditor Agreement including without limitation, the collection, distribution or enforcement of such amounts held or realized or in connection with expenses properly incurred under the Intercreditor Agreement in enforcing all available remedies under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted *Pari Passu* Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the Collateral Agent is entitled to under the Security Documents;

*second*, to the extent not reimbursed under the above paragraph, to the trustee for each series of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for each Existing Bank Loan, the Trustee and, to the extent applicable, the holder of any Permitted *Pari Passu* Secured Indebtedness (in the case of a sole creditor of any series of Permitted *Pari Passu* Secured Indebtedness only) or the representative or agent of any holders of any series of Permitted *Pari Passu* Secured Indebtedness, to the extent necessary to reimburse the foregoing persons ratably for any unpaid fees, costs and expenses (including fees and expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable fees and expenses of counsel) reasonably incurred under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted *Pari Passu* Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Security Documents, the indenture for each series of the Existing Notes, the agreement for each Existing Bank Loan, the Indenture and the agreements governing any Permitted *Pari Passu* Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the Security Documents;

*third*, ratably to each of the trustee for each series of the Existing Notes for the benefit of the holders of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for the benefit of the lenders under each Existing Bank Loan, the Trustee for the benefit of the Holders and, to the extent applicable, to holders (or their representative or agent) of Permitted *Pari Passu* Secured Indebtedness, inclusive of any reasonable fees and expenses of each of the trustee for each

series of the Existing Notes, the lender (in the case of a bilateral loan) or facility agent for each Existing Bank Loan, the Trustee and the holders (or their representative or agent) of Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the above second paragraph), and the principal, interest and premium thereon and for the benefit of the holders of each thereof in accordance with the terms of the relevant document governing the foregoing indebtedness; and

*lastly*, any surplus remaining after such payments will be paid to the Company (for itself and any Subsidiary Guarantor Pledgors) or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, “— Enforcement of Security,” shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with the section entitled “— Permitted Pari Passu Secured Indebtedness” above.

### ***Release of Security***

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the section entitled “— Defeasance — Defeasance and Discharge;”
- upon certain dispositions of the Collateral in compliance with the covenants under the sections entitled “— 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 provisions under the section entitled “— 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;
- upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock previously granted by such Subsidiary Guarantor, now a JV Subsidiary Guarantor, in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;

- upon a Subsidiary Guarantor becoming a New Non-Guarantor Subsidiary, with respect to the release of any pledge of Capital Stock previously granted by such Subsidiary Guarantor, now a New Non-Guarantor Subsidiary, and the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Non-Guarantor Subsidiary;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor, and in accordance with the terms of the Indenture;
- 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, and in accordance with the terms of the Indenture; or
- with respect to the Lien over the Collateral (or any portion thereof) pledged to secure the Notes, either upon (i) the repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors under the Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness or (ii) the prior or concurrent release of the Lien on the Collateral securing all Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness; *provided* that in each case, no Default has occurred and is continuing on such date and no Default would have occurred as a result of such release, and each of the Trustee and the Collateral Agent shall comply with a release request if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers' Certificate from the Company, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

### **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 (if any)) 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) ("Additional Notes") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below and the other provisions of the Indenture.



**Optional Redemption**

On or after March 23, 2020, the Company may on any one or more occasions redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on March 23 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2020 . . . . .	104.125%
2021 and thereafter . . . . .	102.0625%

At any time prior to March 23, 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to March 23, 2020, 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 108.25% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any national securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) and/or the requirements of the clearing system; or
- (2) if the Notes are not listed on any national securities exchange and/or are not held through any clearing system, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancelation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

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

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement

of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See the section entitled "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes and the Existing Notes upon a change of control triggering event." The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

#### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

## **Additional Amounts**

All payments by or on behalf of the Company, a Surviving Person (as defined under “—Consolidation, Merger and Sale of Assets”), a Subsidiary Guarantor, a JV Subsidiary Guarantor or a Subsidiary Guarantor Pledgor of principal of, and premium (if any) and interest on, the Notes and any payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) and under the Security Documents 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 or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Taxing Jurisdiction”) or any jurisdiction through which payments on the Notes or a Guarantee are made (or any political subdivision or taxing authority thereof or therein) (as applicable and together with the Relevant Taxing Jurisdictions, each, 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, the applicable Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor, as the case may be, will pay such additional amounts (“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 or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
  - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
    - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
    - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
    - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor, addressed to the Holder to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required by law to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
    - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
  - (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
  - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, 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, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders and upon reasonable notice in advance of such notice to Holders (which notice shall be irrevocable), the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the “Tax Redemption Date”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant 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 (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or a 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, such Surviving Person, 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 mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person, 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, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

### **Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

#### ***Limitation on Indebtedness and Preferred Stock***

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company or 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 to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
  - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
  - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
  - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);

- (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor and none of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, in the case of the Company, the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, in the case of a JV Subsidiary Guarantor; *provided* further that, any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;
- (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 clauses (a), (b), (c), (e), (h), (o), (p), (q), (r), (s), (t), (u), (v) or (w) 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, 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, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or 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, 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, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, 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 or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor; and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);



- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to (A) Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (B) other derivative contracts entered into for non-speculative purposes in connection with the business of the Company or any of its Restricted Subsidiaries;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (q), (r), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% 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 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the “Limitation on Issuances of Guarantees by Restricted Subsidiaries” covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed 2% of Total Assets;
- (o) 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 Person enters into such Staged Acquisition Agreement; *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement;
- (p) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (r), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (r) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary) by the Company or such Restricted Subsidiary, if (x) the aggregate of all Indebtedness Incurred under this clause (r) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h) and (q) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets and (y) the aggregate of all Indebtedness Incurred under this clause (r) (together with refinancing thereof) does not exceed an amount equal to 7.5% of Total Assets;

- (s) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided* that on the date of Incurrence of such Indebtedness, the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q) and (r) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (t) (x) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary or (y) Capitalized Lease Obligations, or Attributable Indebtedness with respect to a Sale and Leaseback Transaction that would otherwise be permitted under the section entitled "Limitation on Sale and Leaseback Transactions," Incurred by any PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (u) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets;
- (v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (q), (r), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 40% of Total Assets; and

- (w) Indebtedness Incurred or Preferred Stock issued in connection with any Investment made by a Strategic Investor in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) in an aggregate outstanding amount not exceeding RMB60 billion (calculated using the amount of such Investment on the date it is made).
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness 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 pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such Capital Stock) or any direct or indirect parent of the Company held by any Person other than the Company or any Wholly Owned Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes, any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant entitled “— 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 Measurement Date, shall exceed the sum of:
- (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2010 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 Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
  - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
  - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus
  - (v) US\$75.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) any dividend or distribution 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 a class of Capital Stock of such Restricted Subsidiary; *provided* that, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a *pro rata* basis or on a basis more favorable to the Company, as determined by the ownership of the Voting Stock;
- (6) the payment by Success Will Group Limited to Pearl River Investment Limited of unpaid dividends declared prior to the date of the Indenture in an amount not to exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (7) the payment by the Company of a dividend in respect of its Capital Stock, which dividend is declared on or prior to June 30, 2010, in an amount not to exceed the lesser of (x) US\$16.0 million (or the Dollar Equivalent thereof) and (y) 10% of the profit of the Company for the calendar year ending December 31, 2009, as shown on the audited consolidated financial statements of the Company;
- (8) any of the Existing Staged Acquisition Payments;
- (9) the purchase by a Restricted Subsidiary of Capital Stock in any PRC Restricted Subsidiary (not exceeding 20% of the total Capital Stock in such PRC Restricted Subsidiary) pursuant to an agreement entered into by such Restricted Subsidiary with an 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 PRC 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 (determined by multiplying the fair market value of such PRC Restricted Subsidiary by the percentage that such Capital Stock represents in the total Capital Stock of such PRC Restricted Subsidiary);

- (10) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (11) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by any Financial Company Investor in respect of any Preferred Stock issued or Indebtedness outstanding on the Original Issue Date or issued or Incurred under paragraph (2)(q) of the "Limitation on Indebtedness and Preferred Stock" covenant;
- (12) (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\$50.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (13) 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);
- (14) the redemption, repurchase or other acquisition of Capital Stock of any Restricted Subsidiary (not exceeding 50% of the total Capital Stock in such Restricted Subsidiary) from an Independent Third Party; or
- (15) any dividend or distribution declared, paid or made by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) to Strategic Investors in accordance with the terms of the Investment Agreements;

*provided* that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Subject to the immediately following paragraph, each Restricted Payment made 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 Payment.

Notwithstanding any other provision of this "Limitation on Restricted Payments" covenant, clause (b) of the first paragraph of this covenant does not have to be satisfied with respect to any Restricted Payment consisting solely of the declaration or payment of dividends in cash on the Common Stock of the Company or the repurchase of Common Stock of the Company on The Stock Exchange of Hong

Kong Limited; *provided* that, starting from the Original Issue Date, the only amount of any Restricted Payment made pursuant to this paragraph that 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 shall be the excess amount, if any, of (x) the aggregate amount of all declarations and payments of dividends on such Common Stock during any fiscal year of the Company and price paid for all such repurchased Common Stock during such fiscal year over (y) 35% of the consolidated profit for the year of the Company calculated in accordance with GAAP for the fiscal year immediately before such fiscal year.

The amount of any Restricted Payment (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 Payments 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 covenant entitled “— Limitation on Restricted Payments” 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.
- (2) The provisions of clause (1) do not apply to any encumbrances or restrictions:
  - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, the Existing Pari Passu Secured Indebtedness and the subsidiary guarantees and JV subsidiary guarantees thereof, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (b) existing under or by reason of applicable law, rule, regulation or order;
- (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants entitled “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales;”
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), 2(v) or 2(w) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” if the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced, *provided further* that, the Board of Directors is empowered to determine as to whether of the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;
- (g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee

or JV Subsidiary Guarantee, *provided further* that, the Board of Directors is empowered to determine as to whether of the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or

- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

#### ***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) for the issuance or sale of the 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* that, paragraph (18)(b) of the definition of "Permitted Investments" shall not apply if such Investment would otherwise have been permitted under paragraph (18) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the covenant entitled "— Limitation on Asset Sales."

#### ***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, 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)(d) or (s) (in the case of clause (2)(s), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, 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, which, absent manifest error, may be conclusively evidenced by an Officers’ Certificate from the Company certifying to that effect. The Trustee is fully protected in relying on such an Officers’ Certificate with respect to such guarantee given by the relevant JV Subsidiary Guarantor. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

#### ***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$25.0 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\$50.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant entitled “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval for any such scheme;
- (6) any purchase of Capital Stock of the type specified in clause (9), (10) or (11) of the second paragraph of the covenant entitled “— Limitation on Restricted Payments;” and
- (7) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (12) 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 (including Permitted Investments that are permitted under paragraph (18) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one part and a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary on the other part; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary (other than those that beneficially own in the aggregate no more than 10% of the Capital Stock of such Restricted Subsidiary) is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary of the Company), or (c) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary (other than shareholders or partners that beneficially own in the aggregate no more than 10% of the Capital Stock of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary) is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of being a Subsidiary, Jointly Controlled Entity or Associate of the Company).



### ***Limitation on Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant entitled “— Limitation on Indebtedness and Preferred Stock” and (b) Incurred a Lien to secure such Indebtedness pursuant to the covenant entitled “— 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 such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant entitled “— Limitation on Asset Sales.”

### ***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *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\$50.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee 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, as the case may be, 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, as the case may be, into cash, to the extent of the cash received in that conversion,

*provided that* clauses (1), (2) and (3) above shall not apply to (i) any Asset Sale to any Person that will, upon the consummation of such Asset Sale, become a Restricted Subsidiary, and (ii) any issuance or sale of Capital Stock to a Strategic Investor in order to satisfy a Repurchase Obligation or in connection with the proposed reorganization for which the Company made an announcement on October 3, 2016.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or Replacement Assets.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds 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 related Asset Sales,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased by the Company on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds (if any) from the sale of the Notes, in any amount, for any purpose other than (1) as specified under the caption “Use of Proceeds” in this offering memorandum (or in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary Guarantor provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company at the time of the designation; (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 entitled “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant entitled “— 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 entitled “— 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 entitled “— 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 entitled “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees;” and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned directly by the Company or any other Restricted Subsidiary shall be pledged to the extent required under the section entitled “— 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 business of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain,

maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

The Company has completed the registration of foreign debt in respect of the offering of Notes described in this offering memorandum (or, in the case of Additional Notes, the offering document relating to the sale of such Additional Notes) and obtained a certificate of registration from the NDRC to the extent required by and in accordance with the NDRC Notice. The Company will, to the extent required by the NDRC Notice, file or cause to be filed with the NDRC or its local branch information of the offering described in this offering memorandum after the Original Issue Date (or, in the case of Additional Notes, after the issue date of such Additional Notes) in accordance with and within the time period prescribed by the NDRC Notice.

### ***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

### ***Suspension of Certain Covenants***

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following sections will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (2) “— Certain Covenants — Limitation on Restricted Payments;”
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “— Certain Covenants — Limitation on Sale and Leaseback Transactions;” and
- (7) “— Certain Covenants — Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under the section entitled “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

### ***Provision of Financial Statements and Reports***

- (1) So long as any of the Notes remains outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s shares of Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in 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 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) 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 quarters of the Company, copies of its unaudited financial statements (on a consolidated basis) 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 remains 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 two most recent fiscal semiannual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company’s external auditors verifying the accuracy of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a firm policy of such external auditors not to provide such certification for any issuer; 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 are 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 covenant entitled "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the section entitled "— 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 Lien on the Collateral (subject to any Permitted Lien and the Intercreditor Agreement) in accordance with the covenant entitled "— Security;"
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (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 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 Subsidiary or for any substantial part of the property and assets of the Company or any Significant 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 Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;



- (8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company);
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) 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; and
- (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 Collateral Agent ceases to have a security interest in the Collateral, subject to any Permitted Lien and the Intercreditor Agreement.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of the Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, or the Trustee may, in accordance with and subject to the Intercreditor Agreement, instruct the Collateral Agent to, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee may, and shall (subject to being indemnified and/or secured to its satisfaction) upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Collateral 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 the Trustee deems appropriate. See the section entitled “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in such Note, which right shall not be impaired or affected without the consent of the Holder.

Two 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 ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and the Subsidiary Guarantors' performance under the Indenture and that the Company and the Subsidiary Guarantors have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See the section entitled “— Certain Covenants — Provision of Financial Statements and Reports.”

## Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor 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 this section, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, 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 with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (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 first paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale or other disposition that complies with the “— Certain Covenants — Limitation on Asset Sales” covenant or any Subsidiary Guarantor 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 section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

Notwithstanding the foregoing, the Company and each Subsidiary Guarantor or JV Subsidiary Guarantor shall be permitted to 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 any Restricted Subsidiary or any Person that will, upon the consummation of such sale, conveyance, transfer, lease or disposal, become a Restricted Subsidiary.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, which may adversely affect Holders.

### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders in any jurisdiction where (A)(i) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Company, (ii) the payment of the consideration therefor or (iii) the conduct or completion of a related offer to purchase or exchange the Notes for cash or other securities in the manner deemed appropriate by the Company would be prohibited or would require the Company or any of its Subsidiaries to (a) file a registration statement, prospectus or similar document or subject the Company or any of its Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), or conduct a bondholder identification exercise to establish the availability of an exemption from registration under Rule 802 under the Securities Act, in each case which the Company in its sole discretion determines would be burdensome, (b) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (c) generally consent to service of process in any such jurisdiction or (d) subject the Company or any of its Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject; or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

### **Defeasance**

#### ***Defeasance and Discharge***

The Indenture provides that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;
- (3) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and
- (4) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

#### ***Defeasance of Certain Covenants***

The Indenture further provides that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under the section entitled “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under the section entitled “— Certain Covenants,” other than as described under the sections entitled “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (ii) clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to such other events set forth in clause (i) above, clause (4) under “— Events of Default” with respect to such other covenants set forth in clause (i) above and clauses (5) and (6) under “— Events of Default” shall be deemed not to be Events of Default, upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and 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 with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However the Company will remain liable for such payments.



## **Amendments and Waiver**

### ***Amendments Without Consent of Holders***

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be amended, without notice to or the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under the section entitled “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee 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 the relevant clearing system;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into the Intercreditor Agreement or any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);
- (11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of 2022 Notes” to the extent that such provision in this “Description of 2022 Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees; or
- (12) make any other change that does not materially and adversely affect the rights of any Holder.

### ***Amendments With Consent of Holders***

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Subsidiary Guarantor Pledgors, the Trustee and the Collateral Agent with the consent of the Holders of not less than a majority in aggregate

principal amount of the outstanding Notes, and the holders of a majority in aggregate principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, any Security Document or the Intercreditor Agreement; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on any Note;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects Holders;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects 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 any Note 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 any Note from that stated under the sections entitled “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company, 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 any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects Holders.

## **Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

## **No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

## **Concerning the Collateral Agent, the Trustee, the Paying Agent, the Transfer Agent and Registrar**

Citicorp International Limited has been appointed as Trustee under the Indenture and as Collateral Agent with regard to the Collateral under the Security Documents. Citibank, N.A., London Branch has been appointed as paying agent, transfer agent and registrar (the “Paying Agent,” the “Transfer Agent” and the “Registrar”; collectively, the “Agents”) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture, or the Intercreditor Agreement. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care, as applicable, and skill in its exercise of the rights and powers vested in them under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive amending, supplementing or replacing such Directive, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Citicorp International Limited acts as the initial Collateral Agent under the Security Documents in respect of the Lien over the Collateral and under the Intercreditor Agreement. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Security Documents and the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents and the Intercreditor Agreement that are in conflict with the interests of the Holders. The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture, the Security Documents and the Intercreditor Agreement, as applicable, for the benefit of the Holders unless such Holders have offered to the Trustee or the Collateral Agent, as the case may be, indemnity and/or security satisfactory to it against any loss, liability, cost or expense. Each Holder, by accepting the Notes, will agree, for the benefit of the Trustee

and the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Collateral Agent in respect of such risks.

### **Book-Entry; Delivery and Form**

The Additional 2022 Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). When issued, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

#### ***Global Note***

Ownership of beneficial interests in the Global 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 depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Collateral Agent or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

#### ***Payments on the Global Note***

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the 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, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### ***Redemption of Global Note***

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar 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 U.S. dollar amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

### ***Action by Owners of Book-Entry Interests***

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

### ***Transfers***

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

### ***Global Clearance and Settlement Under the Book-Entry System***

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

### ***Information Concerning Euroclear and Clearstream***

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Collateral Agent, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

### **Individual Definitive Notes**

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of



such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. 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 mails of the relevant jurisdiction, if intended for the Company or any Subsidiary Guarantor, addressed to the Company or such Subsidiary Guarantor, as the case may be, or if intended for the Trustee, addressed to the Trustee at the corporate trust office of the Trustee and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

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 the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system 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 Services Inc., with offices at 400 Madison Avenue, 4th Floor, New York, New York 10017 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 or is (as the case may 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 section entitled "Description of 2022 Notes" for which no definition is provided.

"2018 CB" means any and all outstanding notes of the 4.25% convertible bonds due 2023 of the Company.

“2020 Notes” means any and all outstanding notes of the 7.0% Senior Notes due 2021 of the Company.

“2021 Notes” means any and all outstanding notes of the 6.25% Senior Notes due 2021 of the Company.

“2023 Notes” means any and all outstanding notes of the 7.50% Senior Notes due 2023 of the Company.

“2024 Notes” means any and all outstanding notes of the 9.50% Senior Notes due 2024 of the Company.

“2025 Notes” means any and all outstanding notes of the 8.75% Senior Notes due 2025 of the Company.

“2020 Private Notes” means any and all outstanding notes of the 8.00% Senior Notes due 2020 of the Company.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after March 23, 2020 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) and the term “Affiliated” shall be construed in accordance with the foregoing sentence. 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 the redemption price of such Note at March 23, 2020 (such redemption price being set forth in the table appearing under the section entitled “— Optional Redemption” section exclusive of

any accrued interest), plus all required remaining scheduled interest payments due on such Note through March 23, 2020 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant entitled “— Certain Covenants — Limitation on Restricted Payments;”
- (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 any Permitted Lien;
- (6) a transaction covered by the covenant entitled “— Consolidation, Merger and Sale of Assets;” and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company, any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts or deposits of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars or Hong Kong dollars into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) Permitted Holders are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the 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;

- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreement or any other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to March 23, 2020 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable maturity to March 23, 2020.

“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 available, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising

from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company and any Restricted Subsidiary) 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 Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after-tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains,

*provided* that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Core Business or a Designated 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.

“Core Businesses” means (i) real estate acquisition, development, leasing and management and (ii) any other business related, ancillary or complementary to the real estate businesses of the Company and its Restricted Subsidiaries, in each case, excluding any Designated Business.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Designated Businesses” means (i) any mineral water, food production, processing or trading, dairy, healthcare, plastic surgery, renewable energy, media, internet, sports, cultural, insurance and financial services business, (ii) any property management business and (iii) acquisition, development, management and operation of hotel properties, commercial properties, or sports, leisure or infrastructure facilities.

“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 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 Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants entitled “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” 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 covenants entitled “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event.”

“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 Restricted Subsidiary from the Company or another Restricted Subsidiary (whether directly or through or facilitated by a bank or other financial institution), provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a

Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means (i) any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee, 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 and (ii) any Restricted Subsidiary organized in any jurisdiction other than the PRC that is directly or indirectly owned by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司), Guangzhou Kailong Real Estate Company Limited (廣州市凱隆置業有限公司), Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. (深圳經濟特區房地產(集團)股份有限公司) or their successors shall be deemed an Exempted Subsidiary; *provided* that such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such Restricted Subsidiary ceasing to be owned directly or indirectly by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司), Guangzhou Kailong Real Estate Company Limited (廣州市凱隆置業有限公司), Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. (深圳經濟特區房地產(集團)股份有限公司) or their successors.

“Existing Bank Loans” means bank loans to either the Company or a Subsidiary Guarantor outstanding on the Original Issue Date that are secured by the Collateral and subject to the Intercreditor Agreement.

“Existing Notes” means the 2018 CB, the 2020 Notes, the 2021 Notes, the 2023 Notes, the 2024 Notes, the 2025 Notes and the 2020 Private Notes.

“Existing Pari Passu Secured Indebtedness” means the Existing Bank Loans and the Existing Notes.

“Existing Staged Acquisition Payments” means:

- (1) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 20% equity in Henan Software Institute Industrial Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on May 16, 2007 as amended or supplemented;
- (2) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB100 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 35% equity in Xi'an Qujiang Investment & Construction Co., Ltd., which the Company and its Restricted

Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 2, 2007 as amended or supplemented;

- (3) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB150 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 19.95% equity in Nanning Yinxiang Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 1, 2007 as amended or supplemented;
- (4) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB170 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 30% equity in Anhui Sanlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Hefei Co., Ltd. (恒大地產集團合肥有限公司) on September 6, 2009 as amended or supplemented;
- (5) the payment by the Company or any Restricted Subsidiary on or before March 31, 2010 of an amount not to exceed RMB19 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Hunan Xiongzen Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on October 6, 2007 as amended or supplemented;
- (6) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB400 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Changsha Xinlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Changsha Property Co., Ltd. (恒大地產集團長沙置業有限公司) on July 5, 2009 as amended or supplemented;
- (7) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 15% equity in Hebei Dadi Panlong Property Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Shijiazhuang Co., Ltd. (恒大地產集團石家莊有限公司) on September 26, 2009 as amended or supplemented;
- (8) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB230 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 12% equity in Jiangxi Hongji Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 5, 2009 as amended or supplemented;
- (9) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB203 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 45% equity in

Evergrande Metropolis Taiyuan Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity cooperation agreement entered into by Hengda Real Estate Group Taiyuan Co., Ltd. (恒大地產集團太原有限公司) on July 11, 2009 as amended or supplemented;

- (10) the payment by the Company or any Restricted Subsidiary on or before December 31, 2011 of an amount not to exceed RMB600 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 60% equity in Changsha Baorui Real Estate Development Co., Ltd.) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 23, 2009 as amended or supplemented;
- (11) the payment by the Company or any Restricted Subsidiary on or before February 28, 2011 of an amount not to exceed RMB230 million equivalent in Hong Kong dollars (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of 100% equity in Fortune Luck Corporation Limited) pursuant to the equity purchase agreement entered into by Shengyu (BVI) Limited on December 16, 2009 as amended or supplemented; and
- (12) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB273 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 100% equity in Guizhou Guangjuyuan Real Estate Development Co., Ltd.) pursuant to the equity transfer and cooperation agreement entered into by Hengda Real Estate Group Gui Yang Co., Ltd. on December 24, 2009 as amended or supplemented.

“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, *provided* that in the case of a determination of Fair Market Value of total assets for the purposes of determining any JV Entitlement Amount, such price shall be determined by an accounting firm, appraisal firm or investment banking firm of international standing appointed by the Company.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a PRC Restricted Subsidiary.

“Fitch” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “Four Quarter Period”)) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day



of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;

- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.



“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include 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 the businesses of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not Affiliated with the Company.

“Intercreditor Agreement” has the meaning set forth under the section entitled “— Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the sections entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” and “— Certain Covenants — Limitation on Restricted Payments”, (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and 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 “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 Fitch or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody's or Fitch or both, as the case may be.

“Investment Property” means any property that is owned and held by any PRC Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“Investment Receipt” means, at any time, with respect to an Investment under clause (21) of the definition of “Permitted Investment”, an amount equal to the net reduction in all Investments made under clause (21) of the definition of “Permitted Investment” since the Original Issue Date resulting from (A) receipt of payments 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) with respect to Investments in Persons, the unconditional release of a Guarantee of any obligation of any Person provided under such clause (21) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (21) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) for any Investment in a Person, such Person becoming a Restricted Subsidiary (whereupon all 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 the definition of “Permitted Investment” definition).

“Jointly Controlled Entity” means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a “joint venture” in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

“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 or indirect equity ownership percentage of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Voting Stock of which is listed on a Qualified Exchange and any 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 Subsidiary of a Listed Subsidiary.

“Measurement Date” means January 27, 2010.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates.

“NDRC” means the National Development and Reform Commission of the PRC.

“NDRC Notice” means the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances (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) issued by the NDRC on September 14, 2015.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Core Businesses” means any business other than the Core Businesses. For the avoidance of doubt, Non-Core Businesses shall include, but not be limited to, the Designated Businesses.

“Non-Core Entity” means any Restricted Subsidiary which is primarily engaged, directly or indirectly, in a Non-Core Business.

“Non-Guarantor Subsidiaries” means the Exempted Subsidiaries, the Listed Subsidiaries, the New Non-Guarantor Subsidiaries, the Other Non-Guarantor Subsidiaries and the PRC Restricted Subsidiaries.

“Offer to Purchase” means an offer by the Company to purchase Notes from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company will deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted by the Company. 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 the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under 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 from legal counsel who is reasonably acceptable to the Trustee. The counsel may be counsel to the Company.

“Original Issue Date” means March 23, 2017.

“Pari Passu Subsidiary Guarantee” means any Indebtedness of a Subsidiary Guarantor Pledgor or a Guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Incurrence of such Indebtedness or Guarantee was permitted under the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and (2) such Indebtedness of such Subsidiary Guarantor Pledgor or such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor Pledgor, Subsidiary Guarantor or 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) any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the section entitled “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the section entitled “— Certain Covenants — Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Dr. Hui Ka Yan, Ms. Ding Yumei and any of their children;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and



- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant entitled “— 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 entitled “— 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 presold properties and issuance of the related land use title in the ordinary course of business;

- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) advances to government authorities or government-affiliated entities in the PRC in connection with the financing of primary land development in the ordinary course of business that are recorded as assets in the Company's balance sheet;
- (17) Guarantees permitted under clause 2(r) of the covenant under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (18) any Investment by the Company or any Restricted Subsidiary in any corporation, association or other business entity (such corporation, association or other business entity, an “Associate”); *provided* that:
  - (a) the aggregate amount of all Investments made after the Original Issue Date under this clause (18), less the aggregate amount of all Receipts received after the Original Issue Date in connection with any Investment in any Associate made after the Original Issue Date under this clause (18), shall not exceed 25% of Total Assets;
  - (b) the Company must be able to Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (1) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant; *provided* that, this paragraph (b) shall not apply if such Investment would otherwise have been permitted under this clause (18) and such Investment, together with the aggregate amount of all Investments made after the Original Issue Date in reliance on this proviso, less the aggregate amount of all Receipts received after the Original Issue Date in connection with any Investment in any Associate made after the Original Issue Date in reliance on this proviso, shall not exceed 12.5% of Total Assets (for purposes of this proviso, the references to “under clause (18)” in the definition of “Receipts” shall be substituted with “in reliance on the proviso in paragraph (b) of clause (18)”);
  - (c) no Default has occurred and is continuing or would occur as a result of such Investment;
  - (d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment pursuant to this clause (18), if such Associate has become a Restricted Subsidiary in compliance with the terms of the other covenants, all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition; and
  - (e) if any of the other holders of Capital Stock of such Associate is a Person described in clauses (x) or (y) of the first paragraph of the covenant described under “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates”, such Investment shall comply with the requirements set forth under the “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” covenant;

for the avoidance of doubt, the value of each Investment made pursuant to this clause (18) shall be valued at the time such Investment is made.

- (19) any Investment deemed to have been made by the Company or any Restricted Subsidiary in any Non-Core Entity of a Qualified Spin-off Group upon the designation of such Non-Core Entity as an Unrestricted Subsidiary;
- (20) any Investment by the Company or any Restricted Subsidiary in any trust, fund or asset management plan primarily engaged, directly or indirectly, in the investment in any real estate project acquired, developed, managed or operated by the Company or any Restricted Subsidiary; *provided* that none of the other holders of any interest of such trust, fund or asset management plan (other than holders that beneficially own in the aggregate no more than 10% of the Capital Stock of such trust, fund or asset management plan) is a Person described in clauses (x) or (y) 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 or a Restricted Subsidiary or being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company); and
- (21) any Investment by the Company or any Restricted Subsidiary, *provided* that the aggregate amount of all Investments made after the Original Issue Date under this clause (21), less the aggregate amount of all Investment Receipts received after the Original Issue Date in connection with any Investment made after the Original Issue Date under this clause (21), shall not exceed 1% of Total Assets.

“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, 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 any property of, or on 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 asset 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 do not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” *provided* that such Liens do not extend to or cover any property or asset of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under the section entitled “— Security — Permitted Pari Passu Secured Indebtedness;”
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) any such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or asset other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in

addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if such Lien is incurred in the ordinary course of business;

- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause 2(n) of the covenant entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (23) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness or Preferred Stock permitted under clause (2)(q) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens Incurred on deposits or bank accounts made to secure Bank Deposit Secured Indebtedness permitted under clause (2)(s) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (25) Liens Incurred on deposits made to secure Entrusted Loans;
- (26) Liens securing Indebtedness Incurred under clause 2(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (27) (x) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary or (y) any interest or title of a lessor in the property securing any Capitalized Lease Obligation or any Attributable Indebtedness permitted under clause (2)(t) of the covenant described under the caption entitled “— 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 permitted to be Incurred under clause (2)(o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (29) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(u) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

(30) Liens securing Indebtedness permitted to be Incurred by any Restricted Subsidiary under clause (2)(p) of the covenant described under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and

(31) Liens on assets in the PRC securing obligations of any PRC Restricted Subsidiary that in the aggregate do not exceed 1% of Total Assets at any one time outstanding,

*provided that* for purposes of the Collateral, Permitted Liens shall mean Liens described in clauses (1), (13) and (14) above only.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under the section entitled “— 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, taken as a whole (excluding any Indebtedness of the Subsidiary Guarantors); *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f), (g) and (m) of the covenant entitled “Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 25% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“PRC CJV” means any future 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 31, 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 amended from time to time.

“PRC CJV Partner” means with respect to a PRC CJV, any other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a Guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided that*, any such Guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.



“Qualified Exchange” means either (1) The New York Stock Exchange, the Nasdaq Stock market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of the Voting Stock of a company on a Qualified Exchange; *provided* that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Qualified Spin-off Group” means, collectively, (i) any Non-Core Entity the Voting Stock of which is, or is expected to be pursuant to a definitive plan, listed on a Qualified Exchange in a Qualified Spin-off IPO, and (ii) the Subsidiaries of such Non-Core Entity.

“Qualified Spin-off IPO” means any Qualified IPO of a Non-Core Entity; *provided* that the Board of Directors of the Company has determined in good faith that the designation of such Non-Core Entity and its Subsidiaries as Unrestricted Subsidiaries is desirable to obtain approval from a Qualified Exchange for such Qualified IPO.

“Rating Agencies” means (1) Moody’s (2) Fitch and (3) if Moody’s or Fitch or both shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody’s or Fitch or both, as the case may be.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (2) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (3) the equivalent of any such category of Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“1,” “2” and “3” for Moody’s; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody’s, a decline in a rating from “Ba1” to “Ba2,” as well as from “Ba” to “B1,” will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, the date that is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the date that is 90 days prior to the earlier of (x) the occurrence of any such action as set forth therein and (y) a public notice of the occurrence of any such action.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both Moody’s and Fitch on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receipt” means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (18) of the definition of “Permitted Investment” since the Original Issue Date resulting from (A) receipt of payments by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (18) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition).

“Relevant Total Assets” means, at any date of determination, the Total Assets of the Company, without counting the total consolidated assets of the Listed Subsidiaries (if any), 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 reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Renminbi” or “RMB” means yuan, the lawful currency of the PRC.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed properties held for sale) of a nature or type or that are used in (i) a Core Business or a Designated Business or (ii) the business for which the property or assets being replaced have been used.

“Repurchase Obligation” means the obligations to each Strategic Investor substantially as described under “Repurchase obligation or compensation” in the Announcement (or obligations similar to such obligations so described) and as contemplated in such Strategic Investor’s Investment Agreement.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means, collectively, the Share Charges and any other agreements or instruments that may evidence or create, or purport to create, any Lien in favor of the Collateral Agent, in each case for the benefit of secured parties that shall include the Holders, in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees (including without limitation the Intercreditor Agreement).

“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.

“Share Charges” has the meaning given under “— Security.”

“Significant Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date, if any of the conditions exceeds 5%.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Strategic Investors” means Persons which have invested or will invest in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) pursuant to (i) the investment agreements (as may be amended and supplemented, the “Initial Investment Agreements”) announced by the Company on December 31, 2016 (the “Announcement”) or (ii) investment agreements or agreements of a similar nature and with terms substantially similar to the Initial Investment Agreements (as may be amended and supplemented, the “Subsequent Investment Agreements” and together with the Initial Subsequent Investment Agreements, the “Investment Agreements”), *provided* that no such Persons are Affiliates of the Company and that the aggregate investment amount (calculated using the amount of the relevant investment on the date it is made) by such Persons in the Capital Stock of Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) under the Investment Agreements does not exceed RMB60 billion. The term “Strategic Investor” means any of such Persons.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that “Subsidiary Guarantor” will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China or 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 or Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, 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 Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits or structured deposit products with a term not exceeding six months that are principal protected, in each case with any banks or financial institutions organized under the laws of the PRC or a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, Singapore or Hong Kong, which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof).

“Total Assets” of the Company means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that:

- (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” the amount of 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 the amount of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

- (2) only with respect to clause (2)(v) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, *pro forma* effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving *pro forma* effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“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.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” each of City Expert (Ningbo) Property Co., Ltd. (城博(寧波)置業有限公司), City Expert Limited (城博有限公司), Exalt Boom Investments Limited (晉昌投資有限公司), Exalt Prosper Limited (上盛有限公司), Fortex Development Limited (嘉達發展有限公司), Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司), Global City Development Limited, Ideal Market Holdings Limited (旭智控股有限公司), Key Alliance Investments Limited (建聯投資有限公司), Mass Thrive Holding Limited (群盛控股有限公司), Mass Thrive Limited (群盛有限公司), Ningbo Sanli Jiada Property Co., Ltd. (寧波三立嘉達置業有限公司), Ningbo Sanli Xianghe Property Co., Ltd. (寧波三立祥和置業有限公司), Ningbo Sanli Yongheng Property Co., Ltd. (寧波三立甬恒置業有限公司), Ningbo Yucheng Property Co., Ltd. (寧波御誠置業有限公司), Pioneer Time Investment Limited, Prosper Trade Investments Limited (興業投資有限公司), Ray Shine Group Limited (利輝集團有限公司) and Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大地產開發有限公司); (2) 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 (3) any Subsidiary of an Unrestricted Subsidiary.



“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary. However, for the purposes of the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees,” “Wholly Owned” means 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.

## 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**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (a) on or in respect of the shares, debentures or other obligations of the Company; or
  - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from July 4, 2006. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company or investors holding the Notes only by reason of holding such Notes levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments if the original of such instruments are brought to or executed in the Cayman Islands.

### **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 incorporated in the British Virgin Islands pursuant to the Subsidiary Guarantees provided that the payment is made to persons who are not resident in the British Virgin Islands.

If neither the Company nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes or on an instrument of transfer in respect of the Notes.

### **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), or 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 payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

*Stamp Duty.* No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (if the register of holders of the Notes is maintained outside Hong Kong).

## **PRC**

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***

The PRC Enterprise Income Tax Law (the “EIT Law”) and its implementation rules, effective January 1, 2008, imposes a withholding tax at the rate of 10% on interest from PRC sources paid to a holder of notes that is a “non-resident enterprise” if such “non-resident enterprise” holder does not have an establishment or place of business in China or if, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China unless a preferential rate is provided by tax treaties or arrangements between the country or region where the non-resident is domiciled and the PRC. We may be considered a PRC tax resident enterprise. “Risk Factors — Risks relating to Our Business — We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes” Although the issue is not entirely clear, if we are considered a PRC resident enterprise, interest paid to non-resident holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at the rate of 10% in the case of nonresident enterprise holders of the Notes pursuant to the EIT Law (which tax rate may be reduced to 7% in the case of non-resident enterprise holders located in Hong Kong who qualify for the benefits of the double taxation treaty between Hong Kong and the PRC), or

PRC individual withholding tax at the rate of 20% in the case of non-resident individual holders of the Notes pursuant to PRC individual income tax laws and their implementation rules. However, the tax obligations under PRC tax laws and their implementation rules may be decreased or exempted by applicable tax treaties. We currently do not intend to withhold taxes from interest payments, but there can be no assurance that the PRC income tax authorities will accept our position on this issue. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Notes.

### ***Taxation on Capital Gains***

The EIT Law and its implementation rules imposes a tax at the rate of 10% on capital gains from PRC sources realized by holders of notes that are “non-resident enterprises” if any such “non-resident enterprise” holder does not have an establishment or place of business in China or if, despite the existence of an establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China. We may be considered a PRC tax resident enterprise. Although the issue is not entirely clear, if we are considered a PRC resident enterprise, the capital gains realized by non-resident holders of the Notes may be treated as income derived from sources within China and be subject to PRC tax at the rate of 10% in the case of nonresident enterprise holders of the Notes pursuant to the EIT Law unless reduced or exempted by an applicable tax treaty, or PRC individual income tax at the rate of 20% in the case of non-resident individual holders of the Notes pursuant to PRC individual income tax laws and their implementation rules, which may be reduced or exempted by an applicable tax treaty. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Notes.

### ***VAT***

On March 23, 2016 the MOF and the SAT issued Circular 36 which stipulates that the business tax will be completely replaced with VAT from May 1, 2016 onwards. Therefore, income derived from the provision of financial services, which previously incurred business tax, will now be subject to VAT.

According to Circular 36, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services potentially subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes may be treated as the holders of the Notes providing financial services in the form of loans to the Company for VAT purposes. In the event the Company is deemed to be a PRC resident enterprise by the PRC tax authorities, and the holders of the Notes is regarded as providing financial services within the PRC, the amount of interest payable by the Company to any non-resident holders of the Notes may subject to withholding VAT at the rate of 6% plus related surcharges.

### ***Stamp duty***

No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside China and the sale of the Notes is made outside the PRC).

## PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated January 22, 2019, or the Purchase Agreement, Credit Suisse (Hong Kong) Limited, CEB International Capital Corporation Limited, China CITIC Bank International Limited and UBS AG Hong Kong Branch, or the Initial Purchasers, have, severally but not jointly, agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, the principal amount of Additional Notes set forth opposite the Initial Purchaser's name.

<u>Initial Purchasers</u>	<u>Additional 2020 Notes</u>	<u>Additional 2021 Notes</u>	<u>Additional 2022 Notes</u>
	(US\$ in millions)		
Credit Suisse (Hong Kong) Limited . . . . .	400	318	373
CEB International Capital Corporation Limited . . . . .	400	318	373
China CITIC Bank International Limited . . . . .	213	170	199
UBS AG Hong Kong Branch . . . . .	<u>87</u>	<u>69</u>	<u>80</u>
Total . . . . .	<u><u>1,100</u></u>	<u><u>875</u></u>	<u><u>1,025</u></u>

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Additional Notes is subject to the approval of certain legal matters by their counsel and certain other conditions. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers.

The Initial Purchasers propose to resell the Additional Notes at the offering price set forth on the cover page of this offering memorandum to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. See "Transfer Restrictions." The price at which the Additional Notes are offered may be changed at any time without notice. The Initial Purchasers may offer and sell the Additional Notes through certain of their affiliates. The Initial Purchasers or certain of their affiliates will purchase Additional Notes and be allocated Additional Notes for asset management and/or proprietary purposes but not with a view to distribution. In addition, we have agreed with the Initial Purchasers that we will pay a commission to private banks in connection with the purchase of the Additional Notes by their private bank clients.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchaser may be required to make in respect thereof.

Upon the expiration of 40 days after the issue of the Additional Notes, each series of Additional Notes will be consolidated and form a single series with, and will rank *pari passu* with, the respective series of Original Notes.

The Additional Notes are a new issue of securities with no established trading market. Application has been made to the SGX-ST for the listing and quotation of the Additional Notes on the SGX-ST. We have been advised by the Initial Purchaser that, in connection with the offering of the Additional Notes, Credit Suisse (Hong Kong) Limited, acting as stabilizing manager, may engage in transactions that stabilize, maintain or otherwise affect the price of the Additional Notes. Specifically, Credit Suisse (Hong Kong) Limited, acting as stabilizing manager, may over allot the offering, creating a syndicate short position. In addition, Credit Suisse (Hong Kong) Limited, acting as stabilizing manager, may bid for, and purchase, the Additional Notes in the open market to cover syndicate shorts or to stabilize the price of the Additional Notes. Any of these activities may stabilize or maintain the market price of the Additional Notes above independent market levels. Credit Suisse (Hong Kong) Limited, acting as stabilizing manager, is not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Additional Notes. These transactions may be effected in the over-the-counter market or otherwise.

We have agreed that, for a period of 14 days from the date of this offering memorandum, we will not offer, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, any other debt securities of the Company or the Subsidiary Guarantors or securities of the Company or the Subsidiary Guarantors that are convertible into, or exchangeable for, the offered Securities or such other debt securities (other than the Additional Notes and the Subsidiary Guarantees), without prior written consent of a majority of the Initial Purchasers.

The Additional Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) 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 outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

The Initial Purchasers have represented and agreed that, except as permitted by the Purchase Agreement, they have not offered, sold or delivered and will not offer, sell or deliver any Additional Notes as part of its distribution in the United States.

We expect that delivery of the Additional Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the third business day following the pricing date of the Additional Notes (this settlement cycle being referred to as “T+3”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Additional Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Additional Notes initially will settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Additional Notes who wish to trade the Additional Notes on the date of pricing or succeeding business days should consult their own legal advisor.

We have been advised that the Initial Purchasers presently intend to make a market in the Additional Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Additional 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 Additional Notes.

The Initial Purchasers and their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and investment banking services, for us and our affiliates in the ordinary course of business. We may enter into non-speculative hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Additional Notes. Our obligations under these transactions may be secured by cash or other collateral.

## **SELLING RESTRICTIONS**

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Additional Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Additional Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Additional Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.



## **United States**

The Additional Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of Additional Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

The Initial Purchasers, through their affiliates, acting as selling agents where applicable, propose to offer the Additional Notes to non-U.S. persons in offshore transactions in reliance on Regulation S. The Additional Notes will not be offered, sold or delivered within the United States. Terms used in this paragraph have the meanings given to them by Regulation S.

## **United Kingdom**

No invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by the Initial Purchasers in connection with the issue or sale of the Additional Notes may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchasers in relation to any Additional Notes in, from or otherwise involving the United Kingdom.

### **PRIIPs Regulation/Prohibition of sales to the EEA retail investors**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## **Hong Kong**

This offering memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this offering memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this offering memorandum may, however, be issued to a limited number of prospective applicants for the Notes in Hong Kong in a manner which does not constitute an offer of the Notes to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong). No advertisement, invitation or document relating to the Additional Notes may be issued or may be in the possession of any person other than with respect to the Additional Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571. Laws of Hong Kong) and any rules made thereunder.

## Japan

The Additional Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “**FIEL**”), and disclosure under the FIEL has not been made with respect to the Additional Notes. Accordingly, the Additional Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or resale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

## Singapore

This offering memorandum has not been and will not be registered as a prospectus with the MAS under the SFA. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to 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), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the 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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

**Notification under Section 309B(1)(c) of the SFA** — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Additional Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products)

Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **PRC**

This offering memorandum does not constitute a public offer of the Additional Notes, whether by sale of by subscription, in the PRC. The Additional Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document except pursuant to the applicable laws and regulations of the PRC.

## **Bermuda**

The Initial Purchasers have not made and will not make on behalf of the Company any invitation directly or indirectly to the public in Bermuda to subscribe for any of the Additional Notes.

## **British Virgin Islands**

No invitation will be made directly or indirectly to any persons who are resident in the British Virgin Islands to subscribe for any of the Additional Notes.

## **Cayman Islands**

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Additional Notes unless the Company is listed on the Cayman Islands Stock Exchange.

## 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 Additional Notes.*

The Additional Notes are subject to restrictions on transfer as summarized below. By purchasing the Additional Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (collectively, the “Securities”), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
  - the Securities have not been registered under the Securities Act or any other applicable securities laws;
  - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Securities are being offered and sold only outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
  - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Securities, and each subsequent holder of the Securities by its acceptance of the Securities will agree, that until the end of the Distribution Compliance Period (as defined below), the Securities may be offered, sold or otherwise transferred only:
  - (a) to us;
  - (b) under a registration statement that has been declared effective under the Securities Act;

- (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or
- (d) under any other available exemption from the registration requirements of the Securities Act, subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws,

and in each of such cases, in accordance with any applicable securities laws of any state of the United States and any other jurisdiction.

You agree to, and each subsequent holder is required to, notify any purchaser of the Additional Notes from it of the resale restrictions referred to in this clause, if then applicable.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is 40 days after the later of the closing date and the last date that we or any of our affiliates was the owner of the Securities or any predecessor of the Securities (the "Distribution Compliance Period"), and will not apply after the applicable Distribution Compliance Period ends;
- we and the Transfer Agent reserve the right to require in connection with any offer, sale or other transfer of the Securities under clause (d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Transfer Agent; and
- each Additional Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

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, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CHINA EVERGRANDE GROUP (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (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 IN COMPLIANCE WITH 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 TRANSFER AGENT'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. THIS PARAGRAPH OF THIS SECURITY WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

ON THE DATE THAT IS 40 DAYS AFTER JANUARY 25, 2019, OR IF SUCH DATE IS NOT A BUSINESS DAY, ON THE NEXT SUCCEEDING BUSINESS DAY (THE “**EXCHANGE DATE**”), THIS TEMPORARY GLOBAL SECURITY WILL BE EXCHANGED IN WHOLE (FREE OF CHARGE) FOR A PERMANENT GLOBAL SECURITY IN SUBSTANTIALLY THIS FORM. AFTER THE EXCHANGE DATE, THE HOLDER OF THIS TEMPORARY GLOBAL SECURITY WILL NOT BE ENTITLED TO RECEIVE ANY PAYMENT OF INTEREST HEREON.

6. You acknowledge that we, the Initial Purchasers, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us, the Transfer Agent and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.
7. You also acknowledge that this offering memorandum has not been and will not be registered as a prospectus with the MAS under the SFA. Accordingly, you have represented, warranted and agreed that you have not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will you circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to 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), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.
8. Upon the expiration of 40 days after the issue of the Additional Notes, each series of Additional Notes will be consolidated and form a single series with, and will rank *pari passu* with, the respective series of Original Notes.



## **RATINGS**

The Additional 2020 Notes and the Additional 2022 Notes are expected to be assigned a rating of B2 by Moody's Investors Service, or Moody's, and B+ by Fitch Ratings, or Fitch. The Additional 2021 Notes are expected to be assigned a rating of B2 by Moody's, B by Standard & Poor's Ratings Services, or S&P, and B+ by Fitch. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Additional Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Additional 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 Additional Notes, on other securities of ours, such as our Existing Notes, or on us. Additionally, we have also been assigned a corporate family rating of B1 with a positive outlook by Moody's, a rating of B+ with a positive outlook by Fitch and a rating of B+ with a positive outlook by S&P. 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 Maples and Calder (Hong Kong) LLP as to matters of Cayman Islands law and British Virgin Islands law, Sidley Austin as to matters of Hong Kong, United States federal and New York law and Commerce and Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and King & Wood Mallesons as to matters of PRC law.

## **INDEPENDENT AUDITOR**

The consolidated financial statements of China Evergrande Group (formerly known as Evergrande Real Estate Group Limited) as of and for each of the years ended December 31, 2016 and 2017, reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein. The unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2018 contained in this offering memorandum has 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.

The review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable it to obtain assurance that it would become aware of all significant matters that might be identified in an audit. Accordingly, it does not express an audit opinion. 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 Additional Notes and the Subsidiary Guarantees. The issue of the Additional Notes has been authorized by a resolution of our board of directors dated January 21, 2019.

### 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 Additional Notes or the Subsidiary Guarantees.

### No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2018 that is material in the context of the issue of the Additional Notes.

### Documents Available

For so long as any of the Notes is outstanding, copies of the Indentures may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes is outstanding, copies of the published financial statements, if any, may be obtained during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

### Clearing Systems

The Additional Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Additional Notes is set forth below:

	<u>Temporary ISIN</u>	<u>Temporary Common Code</u>	<u>Permanent ISIN</u>	<u>Permanent Common Code</u>
Regulation S 2020 Notes . .	XS1941777630	194177763	XS1580430681	158043068
Regulation S 2021 Notes . .	XS1941782390	194178239	XS1627599142	162759914
Regulation S 2022 Notes . .	XS1941794643	194179464	XS1580431143	158043114

Only Additional Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

## **Listing of the Additional Notes**

The Original Notes are listed on the SGX-ST. Application has been made to the SGX-ST for the listing and quotation of the Additional Notes on the SGX-ST. Approval in-principle from, admission to the Official List of, and listing and quotation of the Additional Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any of their respective associated companies (if any), the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, 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, in the event that a Global Note is exchanged for individual definitive notes, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for individual 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 individual definitive notes, including details of the paying agent in Singapore.

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*Note:*

- (1) The consolidated financial statements of the Company for the years ended December 31, 2016 and 2017, with independent auditor's reports set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2016 and 2017, respectively. The unaudited condensed consolidated financial information for the six months ended June 30, 2018 set out herein has been reproduced from the Company's interim report for the six months ended June 30, 2018. Page references used in this memorandum are different from pages references set forth in such annual reports or interim report.

# CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2018 (Unaudited) RMB million	31 December 2017 (Audited) RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	35,816	32,898
Land use rights	8	8,083	7,935
Investment properties	8	158,582	151,950
Goodwill	8	1,595	1,402
Intangible assets	8	275	253
Trade and other receivables	11	1,801	4,352
Prepayments	12	1,506	1,202
Investments accounted for using the equity method	13	45,336	30,376
Financial assets at fair value through other comprehensive income	14	2,056	—
Available-for-sale financial assets	4	—	4,565
Deferred income tax assets		3,583	3,872
		<b>258,633</b>	<b>238,805</b>
<b>Current assets</b>			
Inventories		—	126
Available-for-sale financial assets	4	—	1,520
Properties under development	9	830,414	851,363
Completed properties held for sale	10	127,643	102,158
Trade and other receivables	11	130,072	120,782
Contract costs		1,994	—
Prepayments	12	151,384	146,923
Income tax recoverable		9,862	9,203
Financial assets at fair value through profit or loss	15	1,942	3,150
Restricted cash	16	101,390	135,714
Cash and cash equivalents	17	156,554	152,008
		<b>1,511,255</b>	<b>1,522,947</b>
<b>Total assets</b>		<b>1,769,888</b>	<b>1,761,752</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2018 (Unaudited) RMB million	31 December 2017 (Audited) RMB million
	Note		
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital and premium	18	1,312	1,270
Other reserves	19	58,087	57,292
Retained earnings		86,368	56,210
		145,767	114,772
Non-controlling interests		178,759	127,436
<b>Total equity</b>		<b>324,526</b>	<b>242,208</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	372,678	376,244
Derivative financial liabilities	21	5,090	2,840
Other payables	22	1,025	4,049
Deferred income tax liabilities		47,972	51,556
		426,765	434,689
<b>Current liabilities</b>			
Borrowings	20	298,451	356,381
Trade and other payables	22	454,410	399,459
Contract liabilities		176,531	—
Receipt in advance from customers		—	267,555
Current income tax liabilities		89,205	61,460
		1,018,597	1,084,855
<b>Total liabilities</b>		<b>1,445,362</b>	<b>1,519,544</b>
<b>Total equity and liabilities</b>		<b>1,769,888</b>	<b>1,761,752</b>

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

*Director*

*Director*



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2018 (Unaudited) RMB million	2017 (Unaudited) RMB million
Revenue	7	300,348	187,981
Cost of sales	25	(191,489)	(120,677)
<b>Gross profit</b>		<b>108,859</b>	<b>67,304</b>
Fair value gains on investment properties	8	1,347	6,001
Other income	23	4,395	2,520
Other gains/(losses), net	24	2,471	(7,023)
Selling and marketing costs	25	(9,334)	(7,824)
Administrative expenses	25	(6,593)	(5,430)
Other operating expenses	25	(3,562)	(2,051)
<b>Operating profit</b>		<b>97,583</b>	<b>53,497</b>
Share of profits of investments accounted for using the equity method	13	1,051	263
Fair value losses on financial assets at fair value through profit or loss	15	(428)	(266)
Fair value gains on derivative financial liabilities	20(c)	1,203	—
Finance costs, net	26	(6,219)	(5,151)
<b>Profit before income tax</b>		<b>93,190</b>	<b>48,343</b>
Income tax expenses	27	(40,164)	(25,216)
<b>Profit for the period</b>		<b>53,026</b>	<b>23,127</b>
<b>Other comprehensive income</b> <i>(Item that may be reclassified to profit or loss)</i>			
Changes in fair value of available-for-sale financial assets, net of tax		—	2,435
Share of other comprehensive income of investments accounted for using the equity method		78	2,017
Currency translation differences		184	(241)
<i>(Item that may not be reclassified to profit or loss)</i>			
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		(354)	—
<b>Other comprehensive (losses)/income for the period, net of tax</b>		<b>(92)</b>	<b>4,211</b>
<b>Total comprehensive income for the period</b>		<b>52,934</b>	<b>27,338</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2018 (Unaudited) RMB million	2017 (Unaudited) RMB million
<b>Profit attributable to:</b>			
Shareholders of the Company		30,805	18,834
Non-controlling interests		22,221	4,293
		53,026	23,127
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		30,777	22,028
Non-controlling interests		22,157	5,310
		52,934	27,338
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)			
– Basic earnings per share	28	2.338	1.400
– Diluted earnings per share	28	2.202	1.374

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests RMB million	Total equity RMB million
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Sub-total RMB million		
<b>Unaudited:</b>							
<b>Balance as at 31 December 2017</b>	928	342	57,292	56,210	114,772	127,436	242,208
Change in accounting policy (note (4)(b))	—	—	82	(616)	(534)	(229)	(763)
<b>Restated balance as at 1 January 2018</b>	928	342	57,374	55,594	114,238	127,207	241,445
<b>Comprehensive income</b>							
Profit for the period	—	—	—	30,805	30,805	22,221	53,026
<b>Other comprehensive losses</b>							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(222)	—	(222)	(132)	(354)
Share of other comprehensive income of investments accounted for using the equity method	—	—	78	—	78	—	78
Currency translation differences	—	—	116	—	116	68	184
<b>Total comprehensive income</b>	—	—	(28)	30,805	30,777	22,157	52,934
<b>Transactions with owners:</b>							
Transfer to statutory reserves	—	—	31	(31)	—	—	—
Issuance of ordinary shares pursuant to share option scheme	1	41	(9)	—	33	—	33
Employee share option schemes	—	—	1,047	—	1,047	294	1,341
Capital injection from non-controlling interests (note 33(i))	—	—	—	—	—	29,074	29,074
Changes in ownership interest in subsidiaries without change of control (note 33(iii))	—	—	(328)	—	(328)	(700)	(1,028)
Acquisition of subsidiaries (note 33(ii))	—	—	—	—	—	1,035	1,035
Non-controlling interests arising on business combination (note 33)	—	—	—	—	—	10	10
Disposal of subsidiaries (note 33)	—	—	—	—	—	(318)	(318)
<b>Total transactions with owners</b>	1	41	741	(31)	752	29,395	30,147
<b>Balance as at 30 June 2018</b>	929	383	58,087	86,368	145,767	178,759	324,526

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests			
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Sub-total RMB million	Perpetual capital instruments RMB million	Others RMB million	Sub-total RMB million	Total equity RMB million
<b>Unaudited:</b>									
<b>Balance as at 1 January 2017</b>	964	42	4,739	38,495	44,240	112,944	35,348	148,292	192,532
<b>Comprehensive income</b>									
Profit for the period	—	—	—	18,834	18,834	723	3,570	4,293	23,127
<b>Other comprehensive income</b>									
Change in fair value of available-for-sale financial assets, net of tax	—	—	1,379	—	1,379	—	1,056	1,056	2,435
Share of other comprehensive income of investments accounted for using the equity method	—	—	2,017	—	2,017	—	—	—	2,017
Currency translation differences	—	—	(202)	—	(202)	—	(39)	(39)	(241)
<b>Total comprehensive income</b>	—	—	3,194	18,834	22,028	723	4,587	5,310	27,338
<b>Transactions with owners:</b>									
Transfer to statutory reserves	—	—	1,208	(1,208)	—	—	—	—	—
Issuance of ordinary shares pursuant to share option scheme	9	386	(87)	—	308	—	—	—	308
Issuance of ordinary shares pursuant to the Bonus Warrants	—	—	1	—	1	—	1	1	2
Employee share option schemes	—	—	28	—	28	—	—	—	28
Repurchase and cancellation of ordinary shares (note (18))	(50)	(323)	50	(5,254)	(5,577)	—	—	—	(5,577)
Dividends	—	—	—	—	—	—	(136)	(136)	(136)
Decrease of perpetual capital instruments	—	—	—	—	—	(113,667)	—	(113,667)	(113,667)
Changes in ownership interest in subsidiaries without change of control (note 33(iii))	—	—	40,031	—	40,031	—	26,529	26,529	66,560
Acquisition of subsidiaries (note 33(ii))	—	—	—	—	—	—	202	202	202
Non-controlling interests arising on business combination (note 33)	—	—	—	—	—	—	591	591	591
Disposal of subsidiaries (note 33)	—	—	—	—	—	—	(10)	(10)	(10)
<b>Total transactions with owners</b>	(41)	63	41,231	(6,462)	34,791	(113,667)	27,177	(86,490)	(51,699)
<b>Balance as at 30 June 2017</b>	923	105	49,164	50,867	101,059	—	67,112	67,112	168,171

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	2018	2017
	(Unaudited) RMB million	(Unaudited) RMB million
<b>Cash flows of operating activities</b>		
Net cash generate from/(used in) operations	62,374	(42,009)
Tax paid	(16,424)	(12,002)
Interest paid	(27,637)	(25,849)
<b>Net cash generated from/(used in) operating activities</b>	<b>18,313</b>	<b>(79,860)</b>
<b>Cash flows of investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	(6,825)	(21,626)
Purchases of property, plant and equipment, investment properties, land use rights and intangible assets	(8,367)	(9,594)
Proceeds from disposal of property, plant and equipment and investment properties	1,386	830
Investments in associates	—	(223)
Proceeds from disposal of joint ventures and associates	26	—
Investments in joint ventures	(10,516)	—
Net proceeds from disposal of subsidiaries	1,564	—
Purchase of financial assets at fair value through other comprehensive income	(24,981)	—
Purchase of available-for-sale financial assets	—	(2,002)
Proceeds from disposal of financial assets at fair value through other comprehensive income	27,259	—
Proceeds from disposal of available-for-sale financial assets	—	29,184
Dividend received	—	14
Purchase of financial assets at fair value through profit or loss	(14)	—
Proceeds from disposal of financial assets at fair value through profit or loss	1,073	26
Cash advances to joint ventures	(11,411)	(1,251)
Repayments from joint ventures	3,035	1,112
Cash advances to associates	—	(2)
Repayments from associates	20	386
Cash advances to non-controlling interests	(755)	(3,683)
Prepayments for acquisition of subsidiaries	(2,783)	—
Interest received	2,732	1,395
<b>Net cash used in investing activities</b>	<b>(28,557)</b>	<b>(5,434)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	(Unaudited) RMB million	(Unaudited) RMB million
<b>Cash flows from financing activities</b>		
Proceeds from bank and other borrowings	175,509	213,736
Repayments of bank and other borrowings and perpetual capital instruments	(237,365)	(235,917)
Proceeds from senior notes	—	43,019
Proceeds from convertible bonds	14,385	—
Repayment to unit holders of consolidated investment entities	—	(200)
Repurchase of ordinary shares	—	(5,577)
Issuance of ordinary shares pursuant to share option scheme	33	308
Issuance of ordinary shares pursuant to the Bonus Warrants	—	2
Dividend paid to non-controlling interests	—	(136)
Acquisition of equity interest in subsidiaries from non-controlling interests	(1,028)	(13,982)
Capital injection from non-controlling interests	29,074	57,805
Cash advances from joint ventures	6,611	353
Repayments to joint ventures	(485)	—
Repayments to associates	—	(371)
Cash advances from non-controlling interests	1,401	3,055
Repayments to non-controlling interests	(2,488)	(3,427)
Restricted cash pledged for bank borrowings	28,625	(6,256)
Deposit for other borrowings	219	(952)
<b>Net cash generated from financing activities</b>	<b>14,491</b>	<b>51,460</b>
<b>Net decrease in cash and cash equivalents</b>	<b>4,247</b>	<b>(33,834)</b>
Cash and cash equivalents at beginning of period	152,008	198,420
Exchange gain/(loss) on cash and cash equivalents	299	(182)
<b>Cash and cash equivalents at end of period</b>	<b>156,554</b>	<b>164,404</b>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. General Information

China Evergrande Group (the “Company”), was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands. The Company is engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in the property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business in the People’s Republic of China (the “PRC”). The address of its registered office is P.O.Box 309, Uglund House, Grand Cayman, KY1-1104, the Cayman Islands.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 November 2009.

The condensed consolidated interim financial information is presented in millions of Renminbi Yuan (“RMB”), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 28 August 2018.

This condensed consolidated interim financial information has not been audited.

## 2. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

- (i) New standards and amendments to standards adopted by the Group as at 1 January 2018

The following amendments to standards are mandatory for the Group’s financial year beginning on 1 January 2018 for the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKFRS 40 (Amendment)	Investments in Investment property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

Save for the impact of adoption of HKFRS 9 and HKFRS 15 disclosed in note 4, the adoption of other new and amended standards does not have any significant impact to the results and financial position of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. Accounting Policies (Continued)

(ii) New standards and amendments to standards that have been issued but are not effective

HKAS 19 (Amendments)	Employee Benefits <sup>1</sup>
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture <sup>1</sup>
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation <sup>1</sup>
HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS <sup>1</sup>
HK (IFRIC) 23	Uncertainty over Income Tax Treatments <sup>1</sup>

1 Effective for periods beginning on or after 1 January 2019.

2 Effective for periods beginning on or after 1 January 2021.

3 Effective date is to be determined by the International Accounting Standard Board.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 16.

### HKFRS 16

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on 1 January 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

#### (a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

#### (b) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments on the equity of the Group as at 1 January 2018. The new accounting policies are set out in note 4(c) below.

The effects of the adoption of HKFRS 9 are as follows:

#### Classification and measurement of financial instruments

The adjustments to the Group's equity due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

At 1 January 2018	Reserves RMB million	Retained earnings RMB million	Non- controlling interests RMB million	Total RMB million
Opening balance — HKAS 39	57,292	56,210	127,436	240,938
Increase in provision for trade and other receivables, net of tax	—	(534)	(229)	(763)
— Increase in provision for trade and other receivables (note 6(c)(iii))	—	(712)	(305)	(1,017)
— Increase in deferred tax assets relating to impairment provisions	—	178	76	254
Reclassify from available-for-sale investments to financial assets at fair value through profit or loss	82	(82)	—	—
Opening balance — HKFRS 9	57,374	55,594	127,207	240,175

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. Changes in Accounting Policies (Continued)

#### (b) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

##### Classification and measurement of financial instruments (Continued)

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

At 1 January 2018	Available- for-sale financial assets ("AFS") RMB million	Financial assets at fair value through other comprehensive income ("FVOCI") RMB million	Financial assets at fair value through profit or loss ("FVPL") RMB million	Other receivables RMB million
Opening balance — HKAS 39	6,085	—	—	—
Reclassify listed equity securities from AFS to FVOCI	(2,362)	2,362	—	—
Reclassify listed equity securities from AFS to FVPL	(279)	—	279	—
Reclassify unlisted equity securities from AFS to FVOCI	(1,278)	1,278	—	—
Reclassify unlisted investments from AFS to FVOCI	(2,146)	2,146	—	—
Reclassify unlisted investments from AFS to other receivables	(20)	—	—	20
Opening balance — HKFRS 9	—	5,786	279	20

The main effects resulting from this reclassification on the Group's equity is as follows:

At 1 January 2018	AFS reserve RMB million	FVOCI reserve RMB million	Retained earnings RMB million
Opening balance — HKAS 39	(838)	—	—
Reclassify listed equity securities from AFS to FVOCI	733	(733)	—
Reclassify listed equity securities from AFS to FVPL	82	—	(82)
Reclassify unlisted equity securities from AFS to FVOCI	6	(6)	—
Reclassify unlisted investments from AFS to FVOCI	17	(17)	—
Opening balance — HKFRS 9	—	(756)	(82)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Changes in Accounting Policies (Continued)

### (b) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

#### Classification and measurement of financial instruments (Continued)

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities except for derivative financial instruments. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

#### Impairment of financial assets

The Group has two types of financial assets at amortised cost subject to new expected credit loss model of HKFRS 9:

- Trade receivables
- Other receivables

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

#### (i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

RMB108 million was recognised in retained earnings as at 1 January 2018 for those trade receivables whose credit risk has been assessed as other than low and for which the impairment methodology described in note 6(c)(i) has been applied. Note 6(c)(iii) reconciles the loss allowance as at 1 January 2018 to that at the end of the reporting period.

#### (ii) Other receivables

Other receivables at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

RMB909 million was recognised in retained earnings as at 1 January 2018 for those other receivables whose credit risk has been assessed as other than low and for which the impairment methodology described in note 6(c)(ii) has been applied. Note 6(c)(iii) reconciles the loss allowance as at 1 January 2018 to that at the end of the reporting period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Changes in Accounting Policies (Continued)

### (c) HKFRS 9 Financial Instruments — Accounting policies

#### Investments and other financial assets

##### *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Changes in Accounting Policies (Continued)

### (c) HKFRS 9 Financial Instruments — Accounting policies (Continued)

#### Investments and other financial assets (Continued)

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss accounts and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss accounts and is not part of a hedging relationship is recognised in profit or loss and presented as a separate line item in the consolidated statement of comprehensive income within "Fair value gain or loss on financial assets at fair value through profit or loss" in the period in which it arises. Interest income from these financial assets is included in the other income.

##### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss accounts as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

##### *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables, the Group applies the 12 months expected losses method to assess the expected credit losses.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Changes in Accounting Policies (Continued)

### (d) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 “Revenue” and HKAS 11 “Construction contracts” that relate to the recognition, classification and measurement of revenue and costs.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The new accounting policies are set out in note 4(e) below.

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

#### Presentation of assets and liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- The incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, such as sales commissions, are capitalised as contract costs.
- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced receipt in advance from customers.

#### Accounting for sales of properties

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

For the six months ended 30 June 2018, the Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Thus, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition for sales of properties.

#### Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. For the six months ended 30 June 2018, the Group has assessed and considered that the financing component effect is insignificant.

#### Accounting for costs incurred to obtain a contract

Under HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract costs.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Changes in Accounting Policies (Continued)

### (e) HKFRS 15 Revenue from Contracts with Customers – accounting policies

#### Sales of properties

Revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

## 5. Estimates

The preparation of condensed consolidated 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 condensed consolidated interim 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 2017.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Financial Risk Management

#### (a) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### (b) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 30 June 2018, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	30 June 2018 RMB million	31 December 2017 RMB million
<hr/>		
Monetary assets		
– HK\$	18,234	6,810
– US\$	6,849	3,811
– EUR\$	16	2
– Others	415	412
	<hr/>	<hr/>
	25,514	11,035
<hr/>		
Monetary liabilities		
– HK\$	32,308	30,453
– US\$	84,017	145,977
– EUR\$	–	15,559
	<hr/>	<hr/>
	116,325	191,989
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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Financial Risk Management (Continued)

#### (b) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 2% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the period-end for a 2% change in foreign currency rates. If there is a 2% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	30 June 2018 RMB million	31 December 2017 RMB million
2% appreciation in RMB against HK\$	211	355
2% depreciation in RMB against HK\$	(211)	(355)
2% appreciation in RMB against US\$	1,158	2,132
2% depreciation in RMB against US\$	(1,158)	(2,132)
2% appreciation in RMB against EUR\$	—	233
2% depreciation in RMB against EUR\$	—	(233)

The condensed consolidated interim 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 2017.

There have been no changes in the risk management department or in any risk management policies since year ended 31 December 2017.

#### (c) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash deposits with bank.

The carrying amounts of trade and other receivables, contract assets, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash transactions are limited to high-credit-quality institutions. Deposits are only placed with reputable banks.

The Group has policies in place to ensure that credit sales are made to customers with an sufficient financial strength and appropriate percentage of down payment. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers and follow up action is taken to recover overdue debts, if any.

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 and other 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Financial Risk Management (Continued)

#### (c) Credit risk (Continued)

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 30. 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 retain the customer's deposit and resell the property to recover the 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, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

For financial assets originated from 1 January 2018, the following credit risk modelling applies:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Financial Risk Management (Continued)

#### (c) Credit risk (Continued)

##### (i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days of initial recognition.

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period.

The loss allowance provision of trade receivables as at 30 June 2018 is determined as follows, the expected credit losses below also incorporate forward looking information.

	Current	Within 180 days past due	More than 180 days past due	More than 365 days past due	Total
<b>Trade receivables</b>					
Expected loss rate	0.1%	5.0%	10.0%	15.0%	
Gross carrying amount	38,105	425	188	667	39,385
Loss allowance provision	38	21	19	100	178

##### (ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

Management considered other receivables from third parties and related parties to be low credit risk as they have a low risk of default and a strong capacity to meet its contractual cash flow obligations in the near term.

The expected loss rate of other receivables which are deposit in nature, such as deposits for acquisition of land use right, construction projects and borrowings, is assessed to be low and no loss allowance provision is made for these deposits during the period.

To measure the expected credit losses of other receivables other than deposits, other receivables excluding deposits have been grouped based on shared credit risk characteristics and the days past due.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Financial Risk Management (Continued)

#### (c) Credit risk (Continued)

##### (iii) Loss allowance provision movement

As at 30 June 2018, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB million	Other receivables RMB million	Total RMB million
Balance as at 31 December 2017 (under HKAS 39)	31	527	558
Amounts restated through opening retained earnings	108	909	1,017
Balance as at 1 January 2018 (under HKFRS 9)	139	1,436	1,575
Provision for loss allowance recognised in profit or loss for the period	39	96	135
Balance as at 30 June 2018 (under HKFRS 9)	178	1,532	1,710

#### (d) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings to meet its construction commitments. 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 raised significant amounts of borrowings to cope with the rapid expansion of the Group's businesses. As at 30 June 2018, the Group's total borrowings stood at RMB671,129 million which decreased by RMB61,496 million during the period, and its gearing ratio reached 37.92% (total borrowings divide total assets).

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options based on its assessment of relevant future costs and benefits.

The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 30 June 2018 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Financial Risk Management (Continued)

#### (e) Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial asset that are measured at fair value:

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>At 30 June 2018</b>				
<b>Assets</b>				
FVOCI	741	918	397	2,056
FVPL	1,942	—	—	1,942
<hr/>				
Total assets	2,683	918	397	3,998
<hr/>				
<b>Liabilities</b>				
Financial derivative liabilities	—	2,250	2,840	5,090
<hr/>				
<b>At 31 December 2017</b>				
<b>Assets</b>				
AFS	2,641	2,424	1,020	6,085
FVPL	3,150	—	—	3,150
<hr/>				
Total assets	5,791	2,424	1,020	9,235

Fair value of financial assets and liabilities measured at amortised cost:

The fair value of public traded senior notes, PRC bonds and convertible bonds which is within level 1 of the fair value hierarchy, are as follows:

	30 June 2018	31 December 2017
Senior notes — public traded	55,390	61,852
PRC bonds — public traded	48,375	15,013
Convertible bonds — public traded	11,171	—
<hr/>		
	114,936	76,865

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Financial Risk Management (Continued)

### (e) Fair value estimation (Continued)

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Current borrowings and non-current borrowings except public senior notes, public PRC bonds and convertible bonds
- Trade and other payables

## 7. Segment Information

The chief operating decision-maker (“CODM”) of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses. Other businesses mainly include property construction, hotel operations, internet business, health industry business and investment business. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group’s assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Fair value loss on FVPL, dividend income of FVOCI, gain on disposal of FVOCI, loss on disposal of AFS and finance cost and income are not included in the result for each operating segment.

Transactions between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7. Segment Information (Continued)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	294,760	603	2,514	15,466	313,343
Inter-segment revenue	—	(138)	(644)	(12,213)	(12,995)
Revenue	294,760	465	1,870	3,253	300,348
Revenue from contracts with customers					
— Recognised at a point in time	294,760	—	—	1,907	296,667
— Recognised over time	—	—	1,870	1,346	3,216
Revenue from other sources: rental income	—	465	—	—	465
Share of post-tax profits of associates	77	—	—	554	631
Share of post-tax (losses)/profits of joint ventures	(204)	—	—	624	420
Segment results	94,822	1,699	372	1,722	98,615
Loss on FVPL					(428)
Gain on derivative financial liabilities					1,203
Gain on disposal of FVOCI					19
Finance costs, net					(6,219)
Profit before income tax					93,190
Income tax expenses					(40,164)
Profit for the period					53,026
Depreciation and amortisation	557	—	7	683	1,247
Fair value gains on investment properties	—	1,347	—	—	1,347

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7. Segment Information (Continued)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	183,364	407	1,761	12,036	197,568
Inter-segment revenue	—	(79)	(460)	(9,048)	(9,587)
Revenue	183,364	328	1,301	2,988	187,981
Share of post-tax profit of associates	—	—	—	539	539
Share of post-tax loss of joint ventures	(11)	—	—	(265)	(276)
Segment results	54,476	6,371	131	(126)	60,852
Loss on financial assets at fair value through profit or loss					(266)
Dividend income of available-for-sale financial assets					32
Loss on disposal of available-for-sale financial assets					(7,124)
Finance costs, net					(5,151)
Profit before income tax					48,343
Income tax expenses					(25,216)
Profit for the period					23,127
Depreciation and amortisation	553	—	5	437	995
Fair value gains on investment properties	—	6,001	—	—	6,001



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7. Segment Information (Continued)

Segment assets as at 30 June 2018 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,505,940	158,582	2,514	85,409	1,752,445
Unallocated assets					17,443
Total assets					1,769,888
Segment assets include:					
Interest in associates	2,018	—	—	12,982	15,000
Interest in joint ventures	11,365	—	—	18,971	30,336

Segment assets as at 31 December 2017 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,492,472	151,950	2,816	92,204	1,739,442
Unallocated assets					22,310
Total assets					1,761,752
Segment assets include:					
Interest in associates	1,943	—	—	11,429	13,372
Interest in joint ventures	874	—	—	16,130	17,004

There are no differences from the latest annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, intangible assets, goodwill, investments accounted for using equity method, properties under development, completed properties held for sale, trade and other receivables, contract costs, prepayments and cash balances. They exclude deferred income tax assets, income tax recoverable, FVOCI, AFS, and FVPL.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8. Property, Plant and Equipment, Land Use Rights, Intangible Assets, Investment Properties and Goodwill

	Property, plant and equipment	Land use rights	Investment properties	Goodwill	Intangible assets	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Six months ended</b>						
<b>30 June 2018</b>						
Opening net book amount as at 1 January 2018	32,898	7,935	151,950	1,402	253	194,438
Additions	4,400	270	6,968	—	34	11,672
Business combination (note 34)	6	—	37	193	14	250
Disposals	(386)	—	(1,888)	—	(3)	(2,277)
Fair value gains on investment properties	—	—	1,347	—	—	1,347
Depreciation and amortisation charge	(1,102)	(122)	—	—	(23)	(1,247)
Exchange difference	—	—	168	—	—	168
Closing net book amount as at 30 June 2018	35,816	8,083	158,582	1,595	275	204,351
<b>Six months ended</b>						
<b>30 June 2017</b>						
Opening net book amount as at 1 January 2017	20,833	5,401	132,045	1,402	241	159,922
Additions	4,407	199	6,146	—	13	10,765
Business combination	117	—	—	—	—	117
Disposals	(213)	—	(542)	—	—	(755)
Fair value gains on investment properties	—	—	6,001	—	—	6,001
Depreciation and amortisation charge	(910)	(70)	—	—	(15)	(995)
Exchange difference	—	—	(210)	—	—	(210)
Closing net book amount as at 30 June 2017	24,234	5,530	143,440	1,402	239	174,845

The Group measures its investment properties at fair value. The fair value of the Group's investment properties as at 30 June 2018 has been determined on the basis of valuation carried out by CB Richard Ellis Limited ("CBRE"), an independent and professionally qualified valuer.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8. Property, Plant and Equipment, Land Use Rights, Intangible Assets, Investment Properties and Goodwill (Continued)

#### Valuation techniques

- (i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.
- (ii) income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.
- (iii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer’s profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the six months ended 30 June 2018.

The investment properties are included in level 3 as the quantitative information about fair value measurements are using below significant unobservable inputs.

- Terminal yield, reversionary yield, expected vacancy rate, market rental and market price

For completed investment properties, increase in terminal yield, reversionary yield and expected vacancy rate may result in decrease of fair value. Decrease in market rent and market price may result in decrease of fair value.

- Market price, budgeted construction costs to be incurred, estimated percentage to completion and developer’s profit margin.

For investment properties under construction, decrease in market price may result in decrease in fair value. Increase in budgeted construction costs to be incurred, estimated outstanding percentage to completion and developer’s profit margin may result in decrease in fair value.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 9. Properties under Development

	30 June 2018 RMB million	31 December 2017 RMB million
Properties under development expected to be completed within normal operating cycle included under current assets	830,414	851,363
Properties under development comprise:		
— Construction costs and capitalised expenditures	302,019	288,236
— Interest capitalised	82,760	79,693
— Land use rights	445,635	483,434
	830,414	851,363

Properties under development include costs of acquiring rights to use certain lands, which are located in various areas of the PRC other than Hong Kong, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

The capitalisation rate of borrowing costs for the six months ended 30 June 2018 is 7.92% (for the six months ended 30 June 2017: 8.63%).

### 10. Completed Properties Held for Sale

All completed properties held for sale are located in the PRC.

### 11. Trade and Other Receivables

#### (a) Trade receivables

	30 June 2018 RMB million	31 December 2017 RMB million
Trade receivables	39,385	27,437
Less: allowance provision for impairment	(178)	(31)
Trade receivables — net	39,207	27,406
Less: non-current portion	(1,801)	(4,352)
Current portion	37,406	23,054

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 11. Trade and Other Receivables (Continued)

#### (a) Trade receivables (Continued)

During the six months ended 30 June 2018, loss of provision of RMB39 million (2017: RMB23 million) was made against the gross amount of trade receivables (note 6(c)).

Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The aging analysis of trade receivables at respective balance sheet dates is as follows:

	30 June 2018 RMB million	31 December 2017 RMB million
Within 90 days	23,062	6,639
Over 90 days and within 180 days	3,692	4,039
Over 180 days and within 365 days	2,318	4,477
Over 365 days	10,313	12,390
	<b>39,385</b>	<b>27,545</b>

The aging analysis of pass due trade receivables is as follows:

	30 June 2018 RMB million	31 December 2017 RMB million
Within 90 days	281	198
Over 90 days and within 180 days	144	146
Over 180 days and within 365 days	188	419
Over 365 days	667	360
	<b>1,280</b>	<b>1,123</b>

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 11. Trade and Other Receivables (Continued)

#### (b) Other receivables

	30 June 2018 RMB million	31 December 2017 RMB million
Other receivables	94,198	98,255
Less: allowance provision for impairment	(1,532)	(527)
Other receivables — net	92,666	97,728

The amounts of other receivables mainly represented the receivables from joint ventures, non-controlling interests, deposits for acquisition of land use right, construction projects and borrowings, and loans to certain third parties which were facilitated through the internet finance platform.

During the six months ended 30 June 2018, impairment provision of RMB96 million (2017: RMB47 million) was made against the gross amount of other receivables (note 6(c)).

The carrying amounts of the Group's other receivables are denominated in RMB.

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above.

As at 30 June 2018 and 31 December 2017, the fair value of trade and other receivables approximated their carrying amounts.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12. Prepayments

	30 June 2018 RMB million	31 December 2017 RMB million
Prepaid value added taxes and other taxes	10,181	10,906
Prepayments and advances to third parties	142,709	137,219
— for acquisition of land use rights	109,217	104,674
— for acquisition of subsidiaries	29,848	27,065
— others	3,644	5,480
	152,890	148,125
Less: non-current portion		
— prepayment for acquisition of property, plant and equipment	(1,506)	(1,202)
	151,384	146,923

### 13. Investments Accounted for Using the Equity Method

	30 June 2018 RMB million	31 December 2017 RMB million
Associates	15,000	13,372
Joint ventures	30,336	17,004
	45,336	30,376

The amounts recognised in the income statement are as follows:

	Six months ended 30 June 2018 RMB million	2017 RMB million
Share of profits of associates	631	539
Share of profits/(losses) of joint ventures	420	(276)
	1,051	263

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13. Investments Accounted for Using the Equity Method (Continued)

#### Interests in associates

The movements of the interests in associates are as follows:

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Balance as at 1 January	13,372	10,684
Additions	1,000	223
Disposals	(3)	—
Dividend declared	—	(250)
Share of post-tax results of associates	631	539
Balance as at 30 June	15,000	11,196

There are no contingent liabilities or commitment relating to the Group's interests in the associates.

#### Interests in joint ventures

The movements of the interests in joint ventures are as follows:

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Balance as at 1 January	17,004	13,690
Additions	12,857	20
Disposals	(23)	—
Share of post-tax profits/(losses) of joint ventures	420	(276)
Other comprehensive income	78	2,017
Balance as at 30 June	30,336	15,451

The additions during the period mainly included the investments in a number of property development companies newly established.

As at 30 June 2018, the Group provided financial guarantees for certain borrowings of joint ventures amounting to RMB14,383 million (2017: RMB2,229 million).

There are no commitment relating to the Group's interests in the associates.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14. Financial Assets at Fair Value Through Other Comprehensive Income

	<b>Six months ended 30 June 2018</b>
	RMB million
Balance as at 1 January	—
Reclassified from AFS (note 4(b))	5,786
Additions	24,981
Disposals	(28,240)
Net losses recognised in equity	(471)
Balance as at 30 June	2,056

FVOCI include the following:

	<b>30 June 2018</b>
	RMB million
Listed equity securities	741
Unlisted equity investments	1,315
	2,056

As at 30 June 2018, FVOCI are denominated in US\$ and RMB.

There were no impairment provisions on FVOCI made during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15. Financial Assets at Fair Value Through Profit or Loss

	Six months ended 30 June	
	2018 RMB million	2017 RMB million
Balance as at 1 January	3,150	3,603
Reclassified from AFS (note 4(b))	279	—
Additions	14	—
Fair value losses	(428)	(266)
Disposals	(1,073)	(26)
<b>Balance as at 30 June</b>	<b>1,942</b>	<b>3,311</b>

As at 30 June 2018 and 2017, FVPL represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Stock Exchange, which are quoted in an active market.

Changes in fair values of these investments are recorded in "Fair value losses on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income.

### 16. Restricted Cash

	30 June 2018 RMB million	31 December 2017 RMB million
	Denominated in RMB	101,386
Denominated in other currencies	4	127
<b>Total</b>	<b>101,390</b>	<b>135,714</b>

The conversion of the PRC group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at 30 June 2018, the Group's restricted cash mainly comprised guarantee deposits for construction of projects and guarantee deposits for bank acceptance notes and loans.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17. Cash and Cash Equivalents

	30 June 2018 RMB million	31 December 2017 RMB million
Cash at bank and in hand:		
— Denominated in RMB	137,293	144,809
— Denominated in other currencies	19,261	7,199
	<b>156,554</b>	152,008

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

### 18. Share Capital and Premium

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB million	Share premium RMB million	Total RMB million
<b>Six months ended 30 June 2018</b>					
Balance as at 1 January 2018	13,168,259,900	131,682,599	928	342	1,270
Issuance of ordinary shares pursuant to share option scheme	13,379,000	133,790	1	41	42
Balance as at 30 June 2018	<b>13,181,638,900</b>	<b>131,816,389</b>	<b>929</b>	<b>383</b>	<b>1,312</b>
<b>Six months ended 30 June 2017</b>					
Balance as at 1 January 2017	13,694,887,900	136,948,879	964	42	1,006
Issuance of ordinary shares pursuant to share option scheme	121,734,000	1,217,340	9	386	395
Repurchase and cancellation of ordinary shares	(722,972,000)	(7,229,720)	(50)	(323)	(373)
Balance as at 30 June 2017	13,093,649,900	130,936,499	923	105	1,028

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19. Reserves

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserve RMB million	Total RMB million
<b>Six months ended 30 June 2018</b>							
Balance as at 31 December 2017	(986)	44,989	11,763	899	293	334	57,292
Change in accounting policy (note 4(b))	—	82	—	—	—	—	82
<b>Restated balance at 1 January 2018</b>	<b>(986)</b>	<b>45,071</b>	<b>11,763</b>	<b>899</b>	<b>293</b>	<b>334</b>	<b>57,374</b>
Change in fair value of FVOCI	—	(222)	—	—	—	—	(222)
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(9)	—	—	(9)
Share of other comprehensive income of investments accounted for using the equity method	—	78	—	—	—	—	78
Currency translation differences	—	—	—	—	—	116	116
Transfer to statutory reserves	—	—	31	—	—	—	31
Employee share option schemes (note (c))	—	—	—	1,047	—	—	1,047
Changes in ownership interest in subsidiaries without change of control (note 33(iii))	—	(328)	—	—	—	—	(328)
<b>Balance at 30 June 2018</b>	<b>(986)</b>	<b>44,599</b>	<b>11,794</b>	<b>1,937</b>	<b>293</b>	<b>450</b>	<b>58,087</b>
<b>Six months ended 30 June 2017</b>							
Balance at 1 January 2017	(986)	(6,041)	10,360	328	243	835	4,739
Change in fair value of available-for-sale financial assets	—	1,379	—	—	—	—	1,379
Share of other comprehensive income of investments accounted for using the equity method	—	2,017	—	—	—	—	2,017
Currency translation differences	—	—	—	—	—	(202)	(202)
Transfer to statutory reserves	—	—	1,208	—	—	—	1,208
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(87)	—	—	(87)
Issuance of shares pursuant to the Bonus Warrants	—	—	—	1	—	—	1
Employee share option schemes (note (c))	—	—	—	28	—	—	28
Repurchase and cancellation of shares of the Company	—	—	—	—	50	—	50
Changes in ownership interest in subsidiaries without change of control (note 33(iii))	—	40,031	—	—	—	—	40,031
<b>Balance at 30 June 2017</b>	<b>(986)</b>	<b>37,386</b>	<b>11,568</b>	<b>270</b>	<b>293</b>	<b>633</b>	<b>49,164</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19. Reserves (Continued)

#### (a) Merger reserve

Merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the group reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange.

#### (b) Statutory reserves

Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

#### (c) Employee share option reserve

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 18 May 2010, 713,000,000 share options (the "2010 Options") were granted to directors and employees with an exercise price of HK\$2.4 per share. All the options granted will be exercisable within 5 years after vesting.

On 9 October 2014, 530,000,000 share options (the "2014 Options") were granted to directors and employees with an exercise price of HK\$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

On 6 October 2017, 743,570,000 share options (the "2017 Option") were granted to directors and employees with an exercise price of HK\$30.2 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

	Number of share options
<b>Six months ended 30 June 2018</b>	
Balance at 1 January 2018	986,736,000
Exercised during the period	(13,379,000)
Lapsed during the period	(50,450,000)
<hr/>	
Balance at 30 June 2018	922,907,000
<hr/>	
<b>Six months ended 30 June 2017</b>	
Balance at 1 January 2017	484,650,000
Exercised during the period	(121,734,000)
Lapsed during the period	(27,200,000)
<hr/>	
Balance at 30 June 2017	335,716,000

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 20. Borrowings

	30 June 2018 RMB million	31 December 2017 RMB million
Borrowings included in non-current liabilities:		
Bank borrowings	197,761	210,913
Senior notes (note (a))	58,508	57,682
PRC corporate bonds (note (b))	45,470	53,863
Convertible bonds(note (c))	11,812	—
Other borrowings (note (d))	256,015	273,759
	<b>569,566</b>	<b>596,217</b>
Less: current portion of non-current borrowings	<b>(196,888)</b>	<b>(219,973)</b>
	<b>372,678</b>	<b>376,244</b>
Borrowings included in current liabilities:		
Bank borrowings	53,795	87,555
Other borrowings (note (d))	47,768	48,853
Current portion of non-current borrowings	196,888	219,973
	<b>298,451</b>	<b>356,381</b>
Total borrowings	<b>671,129</b>	<b>732,625</b>
The total borrowings are denominated in the following currencies:		
RMB	556,057	598,945
US\$	84,017	88,295
HK\$	31,055	29,826
EUR\$	—	15,559
	<b>671,129</b>	<b>732,625</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20. Borrowings (Continued)

### (a) Senior notes

On 31 October 2013, the Company issued 8.75%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,141 million) at 100% of the face value. On 13 November 2013, the Company further issued additional senior notes with the same terms in an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,071 million) at 100% of the face value (“2018 Notes”).

On 17 February 2015, the Company issued 12.00%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,133 million) at 100% of the face value (“2020 Notes”).

On 11 January 2016, the Company issued 7.80% three-year senior notes with an aggregated principal amount of US\$400 million (equivalent to approximately RMB2,625 million) at 100% of the face value (“2019 Private Notes”), and issued 8.00%, three-year senior notes with an aggregated principal amount of US\$300 million (equivalent to approximately RMB1,969 million) at 100% of the face value (“2019 Notes”).

On 23 March 2017, the Company issued 7.0%, three-year senior notes with an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,443 million) at 100% of the face value (“New 2020 Notes”) and 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value (“2022 Notes”).

On 29 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value (“2024 Notes”).

On 8 June 2017, the Company announced, among others, an exchange offer with respect to the aforementioned 2018 Notes, 2019 Private Notes, 2019 Notes and 2020 Notes (together the “Old Notes”). On 28 June 2017, the Company has successfully exchanged the Old Notes totaling US\$2,536 million, together with the accrued and unpaid interest and the exchange premium, to three series of new senior notes totaling US\$2,824 million. Together with US\$3,800 million new senior notes issued for cash, the company issued US\$ 6,624 million of senior notes in total (the “New Notes”). The remaining Old Notes of US\$664 million were early redeemed by August 2017.

Details of the New Notes are as follows:

On 28 June 2017, the Company issued 6.25%, four-year senior notes with an aggregated principal amount of US\$598 million (equivalent to approximately RMB4,078 million) at 100% of the face value (“2021 Notes”), 7.5%, six-year senior notes with an aggregated principal amount of US\$1,345 million (equivalent to approximately RMB9,172 million) at 100% of the face value (“2023 Notes”) and 8.75%, eight-year senior notes with an aggregated principal amount of US\$4,681 million (equivalent to approximately RMB31,921 million) at 100% of the face value (“2025 Notes”).

In August 2017, the Company redeemed all its outstanding Old Notes with an aggregate principal amount of US\$664 million.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 20. Borrowings (Continued)

#### (b) PRC corporate bonds

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year public PRC corporate bonds with an aggregated principal amount of RMB5,000 million at 100% of the face value.

On 7 July 2015, a subsidiary of the Company issued 5.30%, four-year public PRC corporate bonds with an aggregated principal amount of RMB6,800 million and 6.98%, seven-year PRC corporate bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 16 October 2015, a subsidiary of the Company issued 7.38%, five-year non-public PRC corporate bonds with an aggregated principal amount of RMB17,500 million and 7.88%, five-year PRC corporate bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 11 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC corporate bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value.

On 29 July 2016, a subsidiary of the Company issued 6.80%, three-year non-public PRC corporate bonds with an aggregated principal amount of RMB4,200 million at 100% of the face value.

Except for the PRC corporate bonds amounting to RMB2,500 million issued on 16 October 2015, other PRC corporate bonds contain the early redemption options.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 30 June 2018 and 31 December 2017.

#### (c) Convertible bonds

On 30 January 2018, the Company entered into the Subscription Agreement with certain investment banks, pursuant to which the investment banks have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds (the "Convertible Bonds") in an aggregate principal amount of HK\$18,000 million at the face value.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 20. Borrowings (Continued)

#### (c) Convertible bonds (continued)

The Convertible Bonds will be mature in five years from the issuance date with an interest rate of 4.25% per annum, and can be convertible to ordinary shares of the Company at the holder's option at the conversion price of HK\$38.99 per share during the period from 27 March 2018 to the seventh day prior to the Bonds' maturity date.

On 14 February 2018 (the "issuance Day"), the Group received the net proceeds from issuance of the Convertible Bonds of HK\$17,736 million (equivalent to RMB14,383 million).

The Convertible Bonds was recognised as embedded financial derivatives and debt component as follows:

- Embedded financial derivatives, comprise the fair value of the option of the holders of the Convertible Bonds to convert the Convertible Bonds into ordinary shares of the Company at the conversion price; the fair value of the option of the holders of the Convertible Bonds to require the Company to redeem the Convertible Bonds; and the fair value of the option of the Company to redeem the Convertible Bonds. These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.
- Debt component initially recognised at its fair value, which is the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

A valuation on the embedded derivatives of the Convertible Bonds has been performed by an independent qualified valuer on 30 June 2018, the binomial model is used in the valuation of the embedded financial derivatives. A fair value gain of RMB1,203 million was recognised in profit and loss accounts for the six months ended 30 June 2018.

#### (d) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), pursuant to which the Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21. Derivative Financial Liabilities

	30 June 2018 RMB million	31 December 2017 RMB million
Embedded financial derivatives of convertible bonds (note 20(c))	2,250	—
Embedded financial derivatives of share compensation arrangement (note (a))	2,840	2,840
	5,090	2,840

- (a) On 3 October 2016, Guangzhou Kailong Real Estate Company Limited (“Kailong Real Estate”, an indirectly wholly-owned PRC subsidiary of the Company) and Hengda Real Estate Group Company Limited (“Hengda Real Estate”, the wholly-owned PRC subsidiary of Kailong Real Estate), entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate and Properties (Group) Co. Ltd. (“Shenzhen Real Estate”, a company listed on the Shenzhen Stock Exchange) and Shenzhen Investment Holding Co. Ltd. (the controlling shareholder of Shenzhen Real Estate). Pursuant to the agreement, the four parties agreed to work towards entering into a reorganisation agreement under which Shenzhen Real Estate will acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration to Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate and thereby enabling the Group to effectively list its real estate related business on the Shenzhen Stock Exchange (the “Proposed Reorganisation”).

On 30 December 2016, 31 May 2017 and 6 November 2017, Kailong Real Estate, Hengda Real Estate, Professor Hui Ka Yan and the strategy investors (the “SIs”) entered into series of investment agreements, pursuant to which the SIs injected capital of totaling RMB130,000 million to Hengda Real Estate, and if the Proposed Reorganisation cannot be completed by 31 January 2021, the SIs have right to:

- (i) request Kailong Real Estate to repurchase the SIs’ equity interest in Hengda Real Estate at their original investment costs; Kailong Real Estate has the option of electing not to repurchase such equity interest, in such event, Professor Hui Ka Yan should repurchase SIs’ equity interest at its original investment cost; or
- (ii) request Kailong Real Estate to compensate the SIs additional shares of Hengda Real Estate equal to 50% of the shares held by the SIs before compensation.

The above share compensation arrangement constitutes an embedded derivative and has been recognised as a financial derivative liability. The fair value of financial derivative liability was determined by reference to valuation prepared by an independent valuer, using the Binomial Lattice Model approach.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 22. Trade and Other Payables

	30 June 2018 RMB million	31 December 2017 RMB million
Trade payables — third parties	316,648	257,459
Other payables	117,200	131,994
Payroll payable	1,756	2,212
Accrued expenses	5,211	3,603
Other taxes payable	14,620	8,240
	455,435	403,508
Less: non-current portion of other payables	(1,025)	(4,049)
Current portion	454,410	399,459

The aging analysis of trade payables is as follows:

	30 June 2018 RMB million	31 December 2017 RMB million
Within one year	278,650	226,564
Over one year	37,998	30,895
	316,648	257,459

### 23. Other Income

	Six months ended 30 June	
	2018 RMB million	2017 RMB million
Interest income	2,732	2,022
Forfeited customer deposits	521	225
Management and consulting service income from joint ventures (note 32(a))	900	—
Others	242	273
	4,395	2,520

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 24. Other Gains/(Losses) — Net

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Net gains on disposal of subsidiaries	2,067	—
Gains on disposal of associates	—	101
Gains on disposal of FVOCI, net	19	—
Losses on disposal of AFS, net	—	(7,124)
Net foreign exchange gains	385	—
	<b>2,471</b>	<b>(7,023)</b>

### 25. Expenses by Nature

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Cost of properties sold	186,470	114,795
Employee benefit expenses	7,675	4,957
Employee benefit expenditure — including directors' emoluments	11,430	7,410
Less: capitalised in properties under development, investment properties under construction and construction in progress	(3,755)	(2,453)
Tax and other levies	1,737	2,435
Advertising and promotion expenses	3,659	4,864
Sales commissions	2,127	726
Depreciation of property, plant and equipment	1,102	910
Amortisation of land use rights and intangible assets	145	85
Operating lease expenses	303	263
Donations	2,926	1,434

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 26. Finance Cost, Net

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
<b>Finance costs</b>		
Interest expenses from borrowings	29,177	25,399
Less: interest capitalised	(24,892)	(21,031)
	4,285	4,368
Exchange losses/(gains)	1,710	(4)
Other finance costs	224	787
	6,219	5,151

### 27. Income Tax Expenses

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Current income tax		
– Hong Kong profits tax	10	16
– PRC corporate income tax	23,141	13,876
– PRC land appreciation tax	19,277	10,967
Deferred income tax		
– PRC corporate income tax	(949)	567
– PRC land appreciation tax	(1,315)	(210)
	40,164	25,216

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 27. 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, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and accordingly, are exempted from British Virgin Islands income tax.

### Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the current period in respect of operations in Hong Kong.

### 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 of 25% (six months ended 30 June 2017: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

### PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

### PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and property development expenditures.

## 28. Earnings Per Share

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options and convertible bonds.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 29. Dividends

The Board of Directors of the Company resolved not to declare any dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

A dividend in respect of the years ended 31 December 2017 and 2016 of RMB1.13 per share totaling RMB14,732 million was declared by the Board of Directors on 20 August 2018. The dividend has not been recognised as a liability in this interim financial information.

### 30. Financial Guarantees

	30 June 2018 RMB million	31 December 2017 RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	349,975	344,026
Guarantees for borrowings of cooperation parties (note (b))	11,651	10,200
Guarantees for borrowings of joint ventures (note 32(a))	14,383	2,229
	<b>376,009</b>	356,455

- (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 for repaying 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) It represents guarantees provided to certain independent third parties having continuous business relationship with the Group (mainly construction companies), to obtain borrowings after assessing the credit history of these independent third parties. The Group closely monitors the repayment progress of the relevant borrowings by these independent third parties. The directors consider that the likelihood of default in payments is minimal and therefore the financial guarantees measured at fair value is immaterial.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 31. Commitments

#### (a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 RMB million	31 December 2017 RMB million
<hr/>		
Property, plant and equipment:		
Not later than one year	682	512
Later than one year and not later than five years	1,130	760
Later than five years	73	80
	<hr/>	<hr/>
	1,885	1,352
	<hr/>	<hr/>

#### (b) Commitments for property development expenditure

	30 June 2018 RMB million	31 December 2017 RMB million
<hr/>		
Contracted but not provided for		
— Property development activities	211,241	195,317
— Acquisition of land use rights	83,050	71,487
— Acquisition of subsidiaries	7,539	10,574
	<hr/>	<hr/>
	301,830	277,378
	<hr/>	<hr/>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 32. Related Party Transactions

Dr Hui Ka Yan (“Dr. Hui”) is the ultimate controlling shareholder and also the director of the Company.

#### (a) Transactions with related parties

During six months ended 30 June 2018 and 2017, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group’s business:

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
<b>Nature of transactions</b>		
<b>Associates</b>		
Loan interest charged by an associate	568	331
<b>Joint ventures</b>		
Management and consulting service to joint ventures	900	—
Sales of goods to joint ventures	244	207
Provision of services to a joint venture	70	20
Rental income from joint ventures	69	4
Advertisement service fees charged by joint ventures	170	137
Rental fee charged by joint ventures	25	24
Purchase of goods from a joint venture	31	4
Loan interest charged by a joint venture	228	318
Provision of financial guarantees for borrowing of joint ventures	14,383	2,229

Aforementioned revenue and cost were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 32. Related Party Transactions (Continued)

#### (b) Balances with related parties

As at 30 June 2018 and 31 December 2017, the Group had the following significant non-trade balances with related parties:

	30 June 2018 RMB million	31 December 2017 RMB million
<b>Due from related parties</b>		
Included in cash and cash equivalents:		
– An Associate	40,115	31,691
Included in trade and other receivables (note (i))		
– Associates	–	20
– Joint ventures	15,182	5,494
	<b>15,182</b>	<b>5,514</b>
Prepayment for advertisement service fees		
– A joint venture	260	456
	<b>30 June 2018 RMB million</b>	<b>31 December 2017 RMB million</b>
<b>Due to related parties</b>		
Included in trade and other payables (note (i))		
– Joint ventures	6,611	485
Included in borrowings (note (ii))		
– A joint venture	2,700	2,700
– An associate	16,559	727
	<b>19,259</b>	<b>3,427</b>

(i) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

(ii) The balances are borrowings in nature, which are secured, interest bearing and repayable according to respective loan agreements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 32. Related Party Transactions (Continued)

#### (c) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Salaries and other employee benefits	569	410

### 33. Non-Controlling Interests

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
At 1 January	127,207	35,348
Profit for the year	22,221	3,570
Change in fair value of AFS, net of tax	—	1,056
Change in fair value of FVOCI, net of tax	(132)	—
Currency translation differences	68	(39)
Capital injection (note (i))	29,074	29,479
Acquisition of subsidiaries — acquisition of asset (note (ii))	1,035	202
Acquisition of subsidiaries — acquisition of business	10	591
Changes in ownership interests in subsidiaries without change of control (note (iii))	(700)	(2,950)
Dividends	—	(136)
Disposal of subsidiaries	(318)	(10)
Issuance of ordinary shares pursuant to the Bonus Warrants	—	1
Employee share option schemes	294	—
	178,759	67,112

#### (i) Capital injection

During the six months ended 30 June 2018, the Group has established certain new subsidiaries engaging in property development and property investment businesses and received capital injections from minority interests totaling RMB29,074 million.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 33. Non-Controlling Interests (Continued)

#### (ii) Acquisition of subsidiaries

During the six months ended 30 June 2018, the Group acquired controlling interests of certain property development companies in the PRC at considerations totaling approximately RMB10,323 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB1,035 million.

#### (iii) Changes in ownership interest in subsidiaries without change of control

During the six months ended 30 June 2018, the Group acquired certain minority interests in subsidiaries amounting to RMB700 million, the difference between consideration paid and the carrying amount of minority interests acquired amounting to RMB328 million was reconginsed as a decrease in reserves.

### 34. Business Combination

During the six months ended 30 June 2018, the Group acquired controlling interests in certain PRC companies engaged in property development and property investment business to increases its land reserve and optimize its regional layout.

The following table summarises the considerations paid for acquisition of these property development companies, the fair value of assets acquired and liabilities assumed at the acquisition dates.

	RMB million
Cash consideration	2,335
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	6
Investment properties	37
Intangible assets	14
Other non current assets	6
Properties under development	3,912
Trade and other receivables	127
Prepayments	3
Cash and cash equivalents	195
Borrowings	(191)
Trade and other payables	(1,184)
Contract liabilities	(462)
Deferred income tax liabilities	(311)
<b>Total identifiable net assets</b>	<b>2,152</b>
Non-controlling interest	(10)
Identifiable net assets acquired	2,142
Goodwill	193

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 34. Business Combination (Continued)

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

	RMB million
Cash considerations	2,335
Considerations deferred	(1,956)
Cash and cash equivalents acquired	(195)
Payments for business combinations conducted in the period	184
Payments for business combinations conducted in prior periods	6,641
Cash outflow on acquisitions in the period	6,825

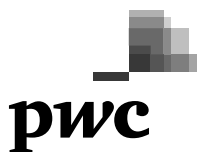
No contingent liability has been recognised for the business combination.

The acquired businesses contributed revenues of RMB8 million and net loss of RMB7 million to the Group for the period from the respective acquisition dates to 30 June 2018. If the acquisitions had occurred on 1 January 2018, the Group's consolidated revenue and consolidated profit for the period would have been RMB300,417 million and RMB53,019 million respectively.

### 35. Subsequent Events

The Company repurchased an aggregate of 160,528,000 shares of its own through the Stock Exchange at a total consideration of HK\$3,361,296,720 in July 2018. The aforesaid repurchased shares were cancelled on 13 August 2018.

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the Shareholders of China Evergrande Group**  
*(incorporated in the Cayman Islands with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of China Evergrande Group (the “Company”) and its subsidiaries (the “Group”) set out on pages 70 to 180, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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# INDEPENDENT AUDITOR'S REPORT

## Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Estimated fair value of investment properties
- Assessment of net realisable value of properties under development and completed properties held for sale
- Estimated fair value of derivative financial liabilities arising from strategy investment in the major subsidiary of the Group

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Estimated fair value of investment properties</b>	
<p>Refer to note 2(h) of accounting policy of investment properties, note 4(a) of critical accounting estimates and judgements and note 8 of investment properties to the consolidated financial statements.</p> <p>The Group's investment properties were measured at fair value of RMB151,950 million as at 31 December 2017, with a revaluation gain of RMB8,513 million recorded in the consolidated statement of comprehensive income for the year then ended. Independent external valuations were obtained for the full property portfolio in order to support management's estimates. The valuations of completed investment properties prepared under income capitalisation approach were dependent on certain key assumptions that required significant management judgement, including capitalisation rate, fair market rent and fair market price. The valuations of investment properties under construction prepared under residual approach were also dependent upon the estimated costs to completion and expected developer's profit margin.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"><li>(i) We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties;</li><li>(ii) We evaluated the independent external valuers' competence, capabilities and objectivity;</li><li>(iii) We involved our in-house valuation experts to assess the income capitalisation approach and residual approach used by the external valuers based on our knowledge of the property industry; and</li><li>(iv) We checked, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rate, fair market rent and fair market price, to the recent renewal of lease or sale transactions of the Group and of the market. For the estimated costs to completion and expected developer's profit margin, we also checked to the construction budget and historical information of similar properties of the Group.</li></ul>

We found that the key assumptions used in the valuations were supported by the available evidence.

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# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matter

## How our audit addressed the Key Audit Matter

### Assessment of net realisable value of properties under development and completed properties held for sale

Refer to note 4(b) of critical accounting estimates and judgements, note 9 of properties under development and note 10 of completed properties held for sale to the consolidated financial statements.

At 31 December 2017, properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB954,555 million and accounted for approximately 54% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value, write-down of carrying amounts of PUD and PHS to their net realisable value amounted to RMB1,034 million as at 31 December 2017.

We focused on this net realisable value assessment because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.

We have performed the following procedures to address this key audit matter:

- (i) We understood, evaluated and validated the internal control over the Group's process in determining the costs to completion of PUD and net realisable values of PUD and PHS based on prevailing market conditions;
- (ii) As part of our risk assessment in this area, we compared the relevant PUD and PHS balances against the result of management's net realisable value assessment made in the prior years to consider, with hindsight, whether management's net realisable value assessment estimation process had been subject to management bias;
- (iii) We then challenged the reasonableness of management's key estimates for:
  - Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions, such as the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location;
  - Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and
  - Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared to the actual costs of similar completed properties of the Group.

We found that management's estimates on the net realisable value of the Group's properties were supported by the available evidence.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matter

## How our audit addressed the Key Audit Matter

### Estimated fair value of derivative financial liabilities arising from strategy investment in the major subsidiary of the Group

Refer to note 2(k(b)) of accounting policy of financial derivative liabilities, note 4(c) of critical accounting estimates and judgements and note 37 of non-controlling interests to the consolidated financial statements.

Hengda Real Estate Group Limited ("Hengda Real Estate"), the major subsidiary of the Group, has raised three rounds of funding totalling RMB130 billion by way of issuance of new shares to certain strategy investors ("SIs") during the year.

Pursuant to the investment agreements with the SIs, if Hengda Real Estate cannot effectively list on the Shenzhen Stock Exchange by defined dates ("Proposed Reorganisation"), the SIs have the right to request the Group to compensate the SIs with additional shares of Hengda Real Estate equal to 50% of shares held by the SIs before compensation. The above share compensation arrangement constitutes an embedded derivative financial liability and should be measured at fair value.

The Group measured the derivative financial liability at fair value of RMB2,840 million as at 31 December 2017, with a revaluation loss of RMB820 million recognised in profit or loss for the year then ended. Independent external valuations of financial derivative liability were obtained to support management's estimates. The valuation of the derivative financial liability under the Binomial Lattice Model approach was dependent on certain key assumptions that required significant management judgement. These included the fair value of the net identifiable assets of Hengda Real Estate, which mainly consisted of the fair value of PUD, PHS, properties for self-use and investment properties, estimated revenue growth rates and the probability of the Proposed Reorganisation not being completed by the defined date. The valuations of PHS and properties for self-use were prepared under the direct comparison approach making reference to fair market prices, and the valuations of PUD was prepared under the residual approach using fair market price less estimated costs to completion, expected developer's profit margin and selling expenses.

We have performed the following procedures to address this key audit matter:

- (i) We evaluated the independent external valuer's competence, capabilities and objectivity;
- (ii) We involved our in-house valuation experts to assess the Binomial Lattice Model approach used by the external valuer based on our knowledge;
- (iii) We assessed the appropriateness of the key assumptions used in the Binomial Lattice Model approach, including:
  - checking on a sample basis, the accuracy and relevance of the input data used in the valuations of fair value of PHS, PUD, properties for self-use and investment properties. For PHS, PUD and properties for self-use, we checked the fair market price used to the recent sale transactions of the Group or prevailing market price of the comparable properties. For PUD, we also checked the estimated costs to completion and expected developer's profit margin to the construction budget and historical actual construction costs of similar properties of the Group. For investment properties, we performed the audit procedures stated in the key audit matter of Estimated fair value of investment properties;
  - comparing the revenue growth rates with historical sales performance of the Group; and
  - assessing the appropriateness of the estimated probability of the Proposed Reorganisation not being completed by the defined date. This included understanding the progress of the Proposed Reorganisation, checking board minutes and materials for application for the Proposed Reorganisation and conducting independent research on the rules, regulations and new implementation guidance issued by the PRC government authorities and publicly available information related to Chinese stock markets.

We found that the key assumptions used in the valuations were supported by the available evidence.

# INDEPENDENT AUDITOR'S REPORT

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 26 March 2018

# CONSOLIDATED BALANCE SHEET

	Note	31 December 2017 RMB million	31 December 2016 RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	32,898	20,833
Land use rights	7	7,935	5,401
Investment properties	8	151,950	132,045
Trade and other receivables	11	4,352	9,342
Prepayments	12	1,202	2,754
Intangible assets		253	241
Investments accounted for using equity method	13	30,376	24,374
Available-for-sale financial assets	14	4,565	36,805
Deferred income tax assets	22	3,872	4,036
Goodwill		1,402	1,402
		<b>238,805</b>	<b>237,233</b>
<b>Current assets</b>			
Inventories		126	230
Properties under development	9	851,363	577,851
Completed properties held for sale	10	102,158	80,776
Trade and other receivables	11	120,782	76,434
Prepayments	12	146,923	62,747
Available-for-sale financial assets	14	1,520	—
Income tax recoverable		9,203	7,665
Financial assets at fair value through profit or loss	15	3,150	3,603
Restricted cash	17	135,714	105,909
Cash and cash equivalents	18	152,008	198,420
		<b>1,522,947</b>	<b>1,113,635</b>
<b>Total assets</b>		<b>1,761,752</b>	<b>1,350,868</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital and premium	19	1,270	1,006
Other reserves	20	57,292	4,739
Retained earnings		56,210	38,495
		<b>114,772</b>	<b>44,240</b>
Non-controlling interests	37	127,436	148,292
<b>Total equity</b>		<b>242,208</b>	<b>192,532</b>

## CONSOLIDATED BALANCE SHEET

	Note	31 December 2017 RMB million	31 December 2016 RMB million
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	21	376,244	332,164
Derivative financial liabilities	37(b)	2,840	—
Other payables	23	4,049	54,354
Deferred income tax liabilities	22	51,556	38,424
		<b>434,689</b>	<b>424,942</b>
<b>Current liabilities</b>			
Borrowings	21	356,381	202,906
Trade and other payables	23	399,459	299,905
Receipt in advance from customers		267,555	194,961
Current income tax liabilities	24	61,460	35,622
		<b>1,084,855</b>	<b>733,394</b>
<b>Total liabilities</b>		<b>1,519,544</b>	<b>1,158,336</b>
<b>Total equity and liabilities</b>		<b>1,761,752</b>	<b>1,350,868</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Hui Ka Yan  
Director

Pan Da Rong  
Director



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2017 RMB million	2016 RMB million
Revenue	5	311,022	211,444
Cost of sales	27	(198,760)	(152,022)
<b>Gross profit</b>		<b>112,262</b>	<b>59,422</b>
Fair value gains on investment properties	8	8,513	5,124
Other (losses)/gains	25	(6,022)	6,986
Other income	26	5,547	4,937
Selling and marketing costs	27	(17,210)	(15,983)
Administrative expenses	27	(12,246)	(9,598)
Other operating expenses	27	(5,599)	(2,663)
<b>Operating profit</b>		<b>85,245</b>	<b>48,225</b>
Fair value (loss)/gain on financial assets at fair value through profit or loss	15	(437)	141
Fair value loss on derivative financial liabilities	37(b)	(820)	—
Finance costs	29	(7,917)	(11,301)
Share of gains/(losses) of investments accounted for using equity method	13	1,402	(203)
<b>Profit before income tax</b>		<b>77,473</b>	<b>36,862</b>
Income tax expense	30	(40,424)	(19,245)
<b>Profit for the year</b>		<b>37,049</b>	<b>17,617</b>
<b>Other comprehensive income</b> <i>(Item that may be reclassified to profit or loss)</i>			
Change in value of available-for-sale financial assets, net of tax		2,165	(3,039)
Share of other comprehensive income of investments accounted for using the equity method		2,391	(2,688)
Currency translation differences		(695)	835
		<b>3,861</b>	<b>(4,892)</b>
<b>Total comprehensive income for the year</b>		<b>40,910</b>	<b>12,725</b>
<b>Profit attributable to:</b>			
Shareholders of the Company		24,372	5,091
Non-controlling interests		12,677	12,526
		<b>37,049</b>	<b>17,617</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2017 RMB million	2016 RMB million
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		27,432	199
Non-controlling interests		13,478	12,526
		<b>40,910</b>	<b>12,725</b>
Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	31	1.833	0.372
— Diluted earnings per share	31	1.795	0.366

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests			
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Total RMB million	Perpetual capital instruments RMB million	Others RMB million	Sub-total RMB million	Total RMB million
<b>Balance as at 1 January 2016</b>	971	—	7,637	42,398	51,006	75,737	15,399	91,136	142,142
<b>Comprehensive income</b>									
Profit for the year	—	—	—	5,091	5,091	10,646	1,880	12,526	17,617
<b>Other comprehensive income</b>									
Change in value of available-for-sale financial assets	—	—	(3,039)	—	(3,039)	—	—	—	(3,039)
Share of other comprehensive income of investments accounted for using the equity method	—	—	(2,688)	—	(2,688)	—	—	—	(2,688)
Currency translation differences	—	—	835	—	835	—	—	—	835
<b>Total comprehensive income</b>	—	—	(4,892)	5,091	199	10,646	1,880	12,526	12,725
<b>Transactions with owners</b>									
Transfer to statutory reserves	—	—	3,073	(3,073)	—	—	—	—	—
Issuance of shares pursuant to the option scheme (note 19, note 20)	2	73	(17)	—	58	—	—	—	58
Employee share option schemes	—	—	79	—	79	—	—	—	79
Issuance of shares pursuant to the Bonus Warrants	—	—	90	—	90	—	78	78	168
Repurchase of shares (note 19)	(9)	(31)	9	(659)	(690)	—	—	—	(690)
Dividends (note 32, note 37)	—	—	—	(5,262)	(5,262)	—	(219)	(219)	(5,481)
Issuance of perpetual capital instruments	—	—	—	—	—	59,754	—	59,754	59,754
Redemption of perpetual capital instruments	—	—	—	—	—	(25,789)	—	(25,789)	(25,789)
Distribution to holders of perpetual capital instruments	—	—	—	—	—	(5,728)	—	(5,728)	(5,728)
Changes in ownership interests in subsidiaries without change of control (note 37)	—	—	(1,194)	—	(1,194)	—	(6,297)	(6,297)	(7,491)
Capital injection from non-controlling interests (note 37(b)(i))	—	—	—	—	—	—	16,882	16,882	16,882
Non-controlling interests arising from business combination (note 37(b))	—	—	—	—	—	—	6,707	6,707	6,707
Acquisition of subsidiaries (note 37(b)(ii))	—	—	—	—	—	—	1,172	1,172	1,172
Disposal of subsidiaries (note 37)	—	—	(46)	—	(46)	(1,676)	(254)	(1,930)	(1,976)
<b>Total transactions with owners</b>	(7)	42	1,994	(8,994)	(6,965)	26,561	18,069	44,630	37,665
<b>Balance as at 31 December 2016</b>	964	42	4,739	38,495	44,240	112,944	35,348	148,292	192,532

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests			
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Total RMB million	Perpetual capital instruments RMB million	Others RMB million	Sub-total RMB million	Total RMB million
<b>Balance as at 1 January 2017</b>	964	42	4,739	38,495	44,240	112,944	35,348	148,292	192,532
<b>Comprehensive income</b>									
Profit for the year	—	—	—	24,372	24,372	723	11,954	12,677	37,049
<b>Other comprehensive income</b>									
Change in value of available-for-sale financial assets	—	—	1,170	—	1,170	—	995	995	2,165
Share of other comprehensive income of investments accounted for using the equity method	—	—	2,391	—	2,391	—	—	—	2,391
Currency translation differences	—	—	(501)	—	(501)	—	(194)	(194)	(695)
<b>Total comprehensive income</b>	—	—	3,060	24,372	27,432	723	12,755	13,478	40,910
<b>Transactions with owners</b>									
Transfer to statutory reserves	—	—	1,403	(1,403)	—	—	—	—	—
Issuance of shares pursuant to the option scheme (note 19, note 20)	14	623	(139)	—	498	—	—	—	498
Employee share option schemes	—	—	709	—	709	—	—	—	709
Issuance of shares pursuant to the Bonus Warrants	—	—	1	—	1	—	1	1	2
Repurchase of shares (note 19)	(50)	(323)	50	(5,254)	(5,577)	—	—	—	(5,577)
Dividends (note 32, note 37)	—	—	—	—	—	—	(241)	(241)	(241)
Decrease of perpetual capital instruments (note 37(a))	—	—	—	—	—	(113,667)	—	(113,667)	(113,667)
Changes in ownership interests in subsidiaries without change of control (note 37(b)(iii))	—	—	(11,528)	—	(11,528)	—	(4,520)	(4,520)	(16,048)
Capital injection from non-controlling interests (note 37(b)(i))	—	—	58,997	—	58,997	—	81,993	81,993	140,990
Non-controlling interests arising from business combination (note 38)	—	—	—	—	—	—	1,701	1,701	1,701
Acquisition of subsidiaries (note 37(b)(ii))	—	—	—	—	—	—	406	406	406
Disposal of subsidiaries (note 37)	—	—	—	—	—	—	(7)	(7)	(7)
<b>Total transactions with owners</b>	(36)	300	49,493	(6,657)	43,100	(113,667)	79,333	(34,334)	8,766
<b>Balance as at 31 December 2017</b>	928	342	57,292	56,210	114,772	—	127,436	127,436	242,208

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2017 RMB million	2016 RMB million
<b>Cash flows of operating activities</b>			
Net cash used in operations	33	(79,902)	(14,628)
Income tax paid		(16,999)	(13,106)
Interest paid		(54,072)	(30,876)
<b>Net cash used in operating activities</b>		<b>(150,973)</b>	<b>(58,610)</b>
<b>Cash flows of investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	38	(37,009)	(44,120)
Purchases of property, plant and equipment and investment properties		(14,369)	(15,927)
Proceeds from disposal of property, plant and equipment, land use rights and intangible assets		362	808
Proceeds from disposal of investment properties		2,461	2,378
Purchase of land use rights		(373)	(344)
Purchase of intangible assets		(53)	(58)
Investment in associates		(1,821)	(10,038)
Investment in joint ventures		(661)	(11,384)
Proceeds from disposal of joint ventures and associates		—	111
Purchase of financial assets purchased under resale agreements		—	(1,672)
Net cash received from disposal of subsidiaries		3	2,507
Purchase of available-for-sale financial assets	14	(67,100)	(47,060)
Proceeds from disposal of available-for-sale financial assets		93,516	8,824
Dividend received	26	614	139
Purchase of financial assets at fair value through profit or loss	15	(795)	(4,679)
Proceeds from disposal of financial assets at fair value through profit or loss	15	811	1,524
Repayment from associates		433	965
Repayment from joint ventures		294	1,686
Repayment from non-controlling interests		1,028	—
Cash advance to associates		(20)	(823)
Cash advance to joint ventures		(4,179)	(1,608)
Cash advance to non-controlling interests		(6,736)	(2,951)
Prepayments for acquisition of subsidiaries		(17,966)	(565)
Interest received	26	4,078	2,728
<b>Net cash used in investing activities</b>		<b>(47,482)</b>	<b>(119,559)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2017 RMB million	2016 RMB million
<b>Cash flows of financing activities</b>			
Proceeds from bank and other borrowings	33(b)	481,606	425,272
Repayments of bank and other borrowings	33(b)	(326,958)	(237,892)
Proceeds from PRC corporate bonds		—	14,112
Proceeds from senior notes		43,019	4,564
Repayments of senior notes		(4,458)	(3,700)
Proceeds from unit holders of consolidated investment entities		—	3,333
Repayment to unit holders of consolidated investment entities		(1,760)	—
Interest paid to unit holders of consolidated investment entities		—	(179)
Proceeds from perpetual capital instruments		—	59,754
Redemption of perpetual capital instruments		(113,667)	(31,517)
Repurchase of shares		(5,577)	(690)
Issuance of ordinary shares pursuant to share option scheme		498	58
Issuance of shares pursuant to the Bonus Warrants		2	—
Dividends paid	33(b)	(241)	(5,481)
Acquisitions of non-controlling interests in subsidiaries		(16,048)	(3,877)
Capital injection from non-controlling interests	37	119,192	16,882
Cash advance from associates		—	83
Repayment to associates		(450)	(334)
Cash advance from joint ventures		485	274
Repayment to joint ventures		(325)	(547)
Cash advance from non-controlling interests		3,178	4,747
Repayment made to non-controlling interests		(9,407)	(3,974)
Advances from investors of subsidiaries	23	—	44,250
Restricted cash pledged for bank borrowings		(14,958)	(11,298)
Deposits for other borrowings		(1,218)	(761)
<b>Net cash generated from financing activities</b>		<b>152,913</b>	<b>273,079</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(45,542)</b>	<b>94,910</b>
Cash and cash equivalents at beginning of year		198,420	103,090
Exchange gain on cash and cash equivalents		(870)	420
<b>Cash and cash equivalents at end of year</b>		<b>152,008</b>	<b>198,420</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General Information

China Evergrande Group (the “Company”) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in the property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business in the People’s Republic of China (the “PRC”). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 November 2009.

These consolidated financial statements are presented in Renminbi Yuan (“RMB”) millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 26 March 2018.

## 2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss, investment properties and derivative financial liabilities, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (Continued)

#### (i) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2017. The adoption of these amended standards does not have any significant impact to the results and financial position of the Group.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 33(b).

HKAS 7 (Amendments)	Statement of cash flows
HKAS 12 (Amendments)	Income tax
HKFRS 12 (Amendments)	Disclosure of interest in other entities

#### (ii) 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 2017 and have not been early adopted by the Group:

HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures <sup>1</sup>
HKFRS 40 (Amendment)	Investments in Investment property <sup>1</sup>
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) 23	Uncertainty over Income Tax Treatments <sup>2</sup>
HKFRS 17	Insurance contracts <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective date is to be determined by the International Accounting Standard Board.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (Continued)

- (ii) New standards and amendments to standards that have been issued but are not effective (Continued)  
The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations.

#### *HKFRS 15*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may be transferred over time or at a point in time.
- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties has been transferred, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.
- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.
- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.
- Certain costs incurred for obtaining a pre-sale property contract, which is currently expensed off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (Continued)

- (ii) New standards and amendments to standards that have been issued but are not effective (Continued)  
*HKFRS 15 (Continued)*

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next few months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group does not intend to adopt the standard before its effective date.

#### *HKFRS 9*

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment, the Group's financial assets currently classified as available-for-sale (AFS) would appear to satisfy the conditions for classification as fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. And the Group expects that its financial assets currently measured at amortised cost and fair value through profit or loss will continue with their respective classification and measurements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (Continued)

#### (ii) New standards and amendments to standards that have been issued but are not effective (Continued)

##### *HKFRS 16*

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on 1 January 2019.

### (b) Consolidation

#### (i) Subsidiaries

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

#### (ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed off as incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (b) Consolidation (Continued)

#### (ii) Business combinations (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

#### (iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iv) 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.

#### (v) Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the 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 post-tax loss of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (d) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations 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. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

### (f) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gain and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated statement of comprehensive income within "finance income/(costs), net". All other foreign exchange gain and losses are presented in the consolidated statement of comprehensive income within "Other losses".



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (f) Foreign currency translation (Continued)

#### (iii) Group entities

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses of each income statement of the group entities are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

### (g) 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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–30 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (g) Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains, in the statement of comprehensive income.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### (h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commences to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (i) Intangible assets

#### (i) Brand name

Brand name acquired in a business combination are recognised at fair value at the acquisition date. Brand name have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand name over its estimated useful lives less than 10 years.

#### (ii) Copy rights

Copy rights are acquired and are recognised at historical cost. Copy rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of copy rights over its estimated useful lives less than 10 years.

#### (iii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from three to five years over the expected life of the customer relationship.

#### (iv) Computer softwares

Acquired computer software licenses 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 of three to ten years.

#### (v) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (j) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (k) Financial instruments

#### (a) Financial assets

##### (i) Classification

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

##### 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 those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

##### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

##### (ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (k) Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### (ii) *Recognition and measurement (Continued)*

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “fair value gain on financial assets at fair value through profit or loss” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss.

Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group’s right to receive payments is established.

##### (iii) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### (b) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The subsequent changes in fair value is recognised immediately in profit or loss within “other income and gains – net”.

### (l) Impairment of financial assets

#### (i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (l) Impairment of financial assets (Continued)

#### (i) Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value 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 statement of comprehensive income.

#### (ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments 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, 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 profit or loss on equity instruments are not reversed through profit or loss.

### (m) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises mainly construction costs, cost of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

### (n) Completed properties held for sale

Completed properties remaining unsold at the end of each relevant year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (p) Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### (q) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

Bank deposits which are restricted to use are classified as “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the cash flow statements.

### (r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company’s share (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company’s equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company’s equity holders.

### (s) Perpetual capital instruments

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (t) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 effective interest method.

### (u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part 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 respective balance sheet date.

### (v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (w) 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.

#### (i) 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.

#### (ii) Deferred income tax

##### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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.

##### *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.

#### (iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (x) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

#### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (y) Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- (i) including any market performance conditions (for example, an entity's share price);
- (ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- (iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### (z) Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not 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 discount 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (z) Provisions and contingent liabilities (Continued)

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### (aa) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminated sales with the group entities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

#### (i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheets under current liabilities.

#### (ii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered, using a straight-line basis over the term of the contract.

#### (iii) Construction and decoration services

Revenue arising from construction and decoration service is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### (iv) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered or services are rendered.

#### (v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (aa) Revenue recognition (Continued)

- (vi) Rental income  
Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.
- (vii) Income from medical cosmetology and health management  
Income from medical cosmetology and health management are recognised when the services have been rendered to customers. The period of these services rendered is usually within a day.

### (ab) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

- (i) The Group is the lessee other than operating lease of land use rights  
Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.
- (ii) The Group is the lessee under operating lease of land use rights  
Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.
- (iii) The Group is the lessor  
Assets leased out under operating leases are included in investment properties in the balance sheets.

### (ac) Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where appropriate.

### (ad) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured 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 of fees recognised.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management

#### (a) Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other payables, derivative financial liabilities and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 31 December 2017, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	<b>31 December</b>	
	2017	2016
	RMB million	RMB million
Monetary assets		
– HK\$	6,810	1,150
– US\$	3,811	9,431
– EURO	2	–
– Others	412	1
	<b>11,035</b>	<b>10,582</b>
Monetary liabilities		
– HK\$	30,453	13,878
– US\$	145,977	74,452
– EURO	15,559	6,104
	<b>191,989</b>	<b>94,434</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factor (continued)

##### (i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	31 December	
	2017 RMB million	2016 RMB million
5% appreciation in RMB against HK\$	887	477
5% depreciation in RMB against HK\$	(887)	(477)
5% appreciation in RMB against US\$	5,331	2,329
5% depreciation in RMB against US\$	(5,331)	(2,329)
5% appreciation in RMB against EUR\$	583	229
5% depreciation in RMB against EUR\$	(583)	(229)

##### (ii) Price risk

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group, which are publicly traded in stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2017 would increase/decrease by approximately RMB118 million (2016: increase/decrease by approximately RMB135 million), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB92 million higher/lower (2016: RMB1,380 million higher/lower).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 Financial Risk Management (Continued)

### (a) Financial risk factor (Continued)

#### (iii) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2017, if interest rate on borrowings at variable rates had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2017 would decrease/increase by approximately RMB779 million (2016: decrease/increase by approximately RMB637 million), mainly as a result of more/less interest expenses on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

#### (iv) Credit risk

Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, trade and other receivables. Deposits are only placed with reputable banks.

For credit exposures to customers, credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 34. 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 retain 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 Financial Risk Management (Continued)

### (a) Financial risk factor (Continued)

#### (v) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments. 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.

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the year ended 31 December 2017. As at 31 December 2017, the Group's total borrowings stood at RMB732,625 million. During the year ended 31 December 2017 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:

- On 23 March 2017, the Group has issued 7.0% three-year senior notes with an aggregated principal amount of US\$500 million at the face value, and 8.25% five-year senior notes with an aggregated principal amount of US\$1,000 million at the face value (note 21(a)).
- On 29 March 2017, the Group has issued 9.5% seven-year senior notes with an aggregated principal amount of US\$1,000 million (note 21(a)).
- On 28 June 2017, the Group has issued 6.25% four-year senior notes with an aggregated principal amount of US\$500 million at the face value, 7.5% six-year senior notes with an aggregated principal amount of US\$1,000 million at the face value, and 8.75% eight-year senior notes with an aggregated principal amount of US\$2,300 million at the face value (note 21(a)).
- During the year, the Group has obtained capital contribution from non-controlling interest totaling RMB130,000 million, of which cash of RMB13,000 million has been received in 2016 and cash of RMB117,000 million was received in the year.

Except for the aforementioned recent developments, the Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options based on its assessment of relevant future costs and benefits.

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2017 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factor (Continued)

##### (v) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscount cash flows.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2017					
Borrowings	406,176	207,439	166,247	53,702	833,564
Trade and other payables*	391,563	4,170	—	—	395,733
	<b>797,739</b>	<b>211,609</b>	<b>166,247</b>	<b>53,702</b>	<b>1,229,297</b>
At 31 December 2016					
Borrowings	237,568	190,744	174,100	4,980	607,392
Trade and other payables*	297,722	36,916	4,167	13,730	352,535
	<b>535,290</b>	<b>227,660</b>	<b>178,267</b>	<b>18,710</b>	<b>959,927</b>

\* Excluding staff welfare benefit payable and other taxes payable.

The amounts have not included financial guarantee contracts:

- which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (note 34). 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;
- which the Group make for its cooperation parties' bank borrowings (note 34). Such guarantees terminate upon the repayment of relevant bank borrowings.

The Group considers that it is more likely than not that no amount will be payable under the arrangement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated balance sheets.

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	31 December	
	2017	2016
	RMB million	RMB million
Total borrowings (Note 21)	732,625	535,070
Total assets	1,761,752	1,350,868
Gearing ratio	41.6%	39.6%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (c) Fair value estimation

(i) The different levels of the financial instruments carried at fair value, by valuation method, 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).

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>At 31 December 2017</b>				
<b>Assets</b>				
Available-for-sale financial assets	2,641	2,424	1,020	6,085
Financial assets at fair value through profit or loss	3,150	—	—	3,150
<b>Total</b>	<b>5,791</b>	<b>2,424</b>	<b>1,020</b>	<b>9,235</b>
<b>Liabilities</b>				
Derivative financial liabilities	—	—	2,840	2,840
<b>At 31 December 2016</b>				
<b>Assets</b>				
Available-for-sale financial assets	34,823	938	1,044	36,805
Financial assets at fair value through profit or loss	3,603	—	—	3,603
<b>Total</b>	<b>38,426</b>	<b>938</b>	<b>1,044</b>	<b>40,408</b>

There were no transfers among different categories during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (c) Fair value estimation (Continued)

- (ii) Fair value measurements using significant unobservable inputs (level 3)

	<b>Unlisted investments</b>	<b>Derivative financial liabilities</b>	<b>Total</b>
	RMB million	RMB million	RMB million
<b>Balance as at 31 December 2016</b>	1,044	—	1,044
Additions	—	2,020	2,020
Disposals	(24)	—	(24)
Losses recognised in fair value loss on derivative financial liabilities	—	820	820
<b>Balance as at 31 December 2017</b>	<b>1,020</b>	<b>2,840</b>	<b>3,860</b>

For significant unobservable inputs used in fair value measurement of the derivative financial liability, please refer to note 4(c).

### 4 Critical Accounting Estimates and Assumptions

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 Critical Accounting Estimates and Assumptions (Continued)

#### (a) Estimated fair value of investment properties (Continued)

- (iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers.

#### (b) Provision 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 recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

The Group estimates property construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalised costs, such differences would affect the accuracy of costs of sales recognised.

#### (c) Estimated fair value of financial derivative liability

The Group assesses the fair value of its financial derivative liability by reference to valuation performed by the independent and professional qualified valuer. Binomial Lattice Model approach is used for valuation of the fair value of financial derivative liability and it is dependent on certain key assumptions that required significant management judgement. These include the fair value of properties under development, completed properties held for sale, properties for self-use and investment properties, the revenue growth rates and the probability of Proposed Reorganisation not being completed by the defined date. The valuation of completed properties held for sale and properties for self-use were prepared under the direct comparison approach making reference to fair market prices, and the valuation of properties under development was prepared under the residual approach using fair market price less estimated costs to completion, expected developer's profit margin and selling expenses. Detailed disclosure of the valuation of investment properties is made in note 4(a).

The change of the aforesaid key assumptions may lead to significant difference of the fair value estimation of financial liability.

#### (d) PRC corporate income taxes and deferred taxation

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Judgement is required in determining the provision for income tax and withholding tax on unremitted earnings of PRC subsidiaries. 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 (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 Critical Accounting Estimates and Assumptions (Continued)

### (e) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its property projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised these 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 income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

## 5 Segment Information

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses. Other businesses mainly include property construction, hotel operations, finance business, internet business and health industry business. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Fair value gain on financial assets at fair value through profit or loss, fair value loss on derivative financial liabilities, dividend income of available-for-sale financial assets, gain or loss on disposal of available-for-sale financial assets and finance cost and income are not included in the result for each operating segment.

Revenue for the year ended 31 December 2017 consists of sales of properties, rental income of investment properties, income from property management services and income from other businesses, which are set out below:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Sales of properties	302,384	203,890
Rental income of investment properties	811	647
Property management services	3,024	1,948
Other businesses	4,803	4,959
	311,022	211,444

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2017 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	302,384	1,019	4,395	25,712	333,510
Inter-segment revenue	—	(208)	(1,371)	(20,909)	(22,488)
Revenue	302,384	811	3,024	4,803	311,022
Share of post-tax profit of associates	4	—	—	1,198	1,202
Share of post-tax profit of joint ventures	26	—	—	174	200
Segment results	83,496	9,353	559	66	93,474
Fair value loss on financial assets at fair value through profit or loss					(437)
Fair value loss on derivative financial liabilities					(820)
Dividend income of financial assets at fair value through profit or loss					364
Loss on disposal of available-for-sale financial assets					(7,191)
Finance costs					(7,917)
Profit before income tax					77,473
Income tax expense					(40,424)
Profit for the year					37,049
Depreciation and amortisation	1,097	—	12	885	1,994
Fair value gains on investment properties	—	8,513	—	—	8,513

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2016 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	203,890	762	3,698	19,625	227,975
Inter-segment revenue	—	(115)	(1,750)	(14,666)	(16,531)
Revenue	203,890	647	1,948	4,959	211,444
Share of post-tax (loss)/profit of associates	(9)	—	—	639	630
Share of post-tax loss of joint ventures	(31)	—	—	(802)	(833)
Gain on disposal of subsidiaries	289	—	—	6,323	6,612
Segment results	38,849	5,406	362	3,240	47,857
Fair value gain on financial assets at fair value through profit or loss					141
Dividend income of financial assets at fair value through profit or loss					139
Gain on disposal of available-for-sale financial assets					26
Finance costs					(11,301)
Profit before income tax					36,862
Income tax expense					(19,245)
Profit for the year					17,617
Depreciation and amortisation	1,048	—	6	910	1,964
Fair value gains on investment properties	—	5,124	—	—	5,124

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

Segment assets and liabilities as at 31 December 2017 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,492,472	151,950	2,816	92,204	1,739,442
Unallocated assets					22,310
Total assets					1,761,752
Segment assets include:					
Interest in associates	1,943	—	—	11,429	13,372
Interest in joint ventures	874	—	—	16,130	17,004
Segment liabilities	617,493	—	2,556	51,014	671,063
Unallocated liabilities					848,481
Total liabilities					1,519,544
Capital expenditure	3,645	15,689	24	6,169	25,527

Segment assets and liabilities as at 31 December 2016 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,096,147	132,045	2,135	68,432	1,298,759
Unallocated assets					52,109
Total assets					1,350,868
Segment assets include:					
Interest in associates	196	—	—	10,524	10,720
Interest in joint ventures	259	—	—	13,395	13,654
Segment liabilities	506,297	—	2,006	40,917	549,220
Unallocated liabilities					609,116
Total liabilities					1,158,336
Capital expenditure	2,064	32,430	16	5,246	39,756

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets, income tax recoverable, available-for-sale financial assets and financial assets at fair value through profit or loss.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation, borrowings and derivative financial liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights and intangible assets.

Reportable segments' assets are reconciled to total assets as follows:

	<b>31 December</b>	
	2017	2016
	RMB million	RMB million
Segment assets	1,739,442	1,298,759
Unallocated:		
Income tax recoverable	9,203	7,665
Deferred income tax assets	3,872	4,036
Available-for-sale financial assets	6,085	36,805
Financial assets at fair value through profit or loss	3,150	3,603
Total assets per consolidated balance sheet	1,761,752	1,350,868

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>31 December</b>	
	2017	2016
	RMB million	RMB million
Segment liabilities	671,063	549,220
Unallocated:		
Current income tax liabilities	61,460	35,622
Deferred income tax liabilities	51,556	38,424
Borrowings	732,625	535,070
Derivative financial liabilities	2,840	—
Total liabilities per consolidated balance sheet	1,519,544	1,158,336

No material revenues are derived from any single external customer (2016: none).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 Property, Plant and Equipment

	Buildings	Machinery	Transportation equipment	Furniture, Fitting and equipment	Construction in progress	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Year ended 31 December 2016						
Opening net book amount	8,008	846	678	2,954	4,234	16,720
Additions	784	516	484	651	2,741	5,176
Acquisition of subsidiaries	1,443	26	24	47	33	1,573
Transfers	1,470	25	—	513	(2,008)	—
Transfer from investment properties	1,310	—	—	—	—	1,310
Disposal of subsidiaries	(661)	(682)	(19)	(94)	(340)	(1,796)
Disposals	(323)	(3)	(5)	(185)	—	(516)
Depreciation	(703)	(150)	(205)	(576)	—	(1,634)
Closing net book amount	11,328	578	957	3,310	4,660	20,833
At 31 December 2016						
Cost	13,123	710	1,832	5,464	4,660	25,789
Accumulated depreciation	(1,795)	(132)	(875)	(2,154)	—	(4,956)
Net book amount	11,328	578	957	3,310	4,660	20,833
Year ended 31 December 2017						
Opening net book amount	11,328	578	957	3,310	4,660	20,833
Additions	568	312	727	1,815	5,635	9,057
Acquisition of subsidiaries (note 38)	203	10	8	88	—	309
Transfers	2,342	82	—	731	(3,155)	—
Transfer from properties under development	—	—	—	—	3,503	3,503
Transfer from investment properties	1,329	—	—	—	—	1,329
Disposals	(269)	(1)	(26)	(65)	—	(361)
Depreciation	(730)	(123)	(209)	(710)	—	(1,772)
Closing net book amount	14,771	858	1,457	5,169	10,643	32,898
At 31 December 2017						
Cost	17,279	1,104	2,500	7,993	10,643	39,519
Accumulated depreciation	(2,508)	(246)	(1,043)	(2,824)	—	(6,621)
Net book amount	14,771	858	1,457	5,169	10,643	32,898



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 Property, Plant and Equipment (Continued)

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Cost of sales	655	617
Selling and marketing costs	214	296
Administrative expenses	904	721
	1,772	1,634

During the year ended 31 December 2017, the Group capitalised borrowing costs amounting to RMB595 million (2016: RMB280 million) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 8.09% (2016: 8.27% ).

As at 31 December 2017, property, plant and equipment of RMB11,146 million (2016: RMB7,633 million) were pledged as collateral for the Group's bank borrowings (note 21).

### 7 Land Use Rights

Land use rights are related to properties outside Hong Kong, held on leases of over 40 years:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Opening net book amount	5,401	3,625
Additions	373	2,094
Transfer from properties under development	2,320	—
Acquisition of subsidiaries (note 38)	11	59
Disposal	—	(38)
Disposal of subsidiaries	—	(193)
Amortisation	(170)	(146)
Closing net book amount	7,935	5,401

Land use rights comprise cost of acquiring rights to use certain land, which are principally located in the PRC, for hotel buildings, self-use buildings and self-operating properties over fixed periods.

As at 31 December 2017, land use rights of RMB1,576 million (2016: RMB698 million) were pledged as collateral for the Group's bank borrowings (note 21).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 Investment Properties

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Opening net book amount	132,045	97,146
Additions	15,689	15,696
Acquisition of subsidiaries (note 38)	—	16,734
Disposals	(2,293)	(2,007)
Disposal of a subsidiary	—	(185)
Transfer to property, plant and equipment	(1,329)	(1,310)
Fair value gains on investment properties	8,513	5,124
Currency translation differences	(675)	847
Closing net book amount	151,950	132,045
Comprise of:		
Completed	131,188	108,145
Under construction	20,762	23,900

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: nil).

As at 31 December 2017, investment properties of RMB14,264 million (2016: RMB13,052 million) were pledged as collateral for the Group's borrowings (note 21).

Borrowing costs of RMB1,204 million (2016: RMB2,235 million) have been capitalised in investment properties under construction for the year ended 31 December 2017. The capitalisation rate of borrowing costs for the year ended 31 December 2017 was 8.09% (2016: 8.27%).

### (a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by CB Richard Ellis Limited ("CBRE"), an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

### (b) Valuation techniques

Valuations were based on either:

- (i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Investment Properties (Continued)

#### (b) Valuation techniques (Continued)

- (ii) income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.
- (iii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer’s profits, as well as land acquisition costs.

There were no changes to the valuation techniques during the year.

#### (c) Information about fair value measurements using significant unobservable inputs (level 3)

Property Category		Fair value as at 31 December 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	10,080	Income capitalisation	Terminal yield	4.25%–6.50%
				Reversionary yield	4.50%–6.50%
				Capitalisation rate	4.50%–6.50%
				Expected vacancy rate	0.00%–20.00%
				Monthly rental (RMB/square meter/ month)	31–670
		66,656	Direct comparison	Market price (RMB/square meter)	3,356–160,000
	Car park	54,473	Direct comparison	Market price (RMB/per car park)	50,000–530,000
Investment properties under construction	Commercial properties	17,681	Residual method	Market price (RMB/square meter)	4,600–54,400
				Budgeted cost (RMB/square meter)	974–16,652
				Anticipated developer’s profit margin	2.00%–20.00%
	Car park	3,060	Residual method	Market price (RMB/per car park)	99,000–164,100
				Budgeted cost (RMB/square meter)	487–2,546
				Anticipated developer’s profit margin	2.00%–15.00%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Investment Properties (Continued)

#### (c) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Property Category		Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	9,905	Income capitalisation	Terminal yield	4.00%–6.50%
				Reversionary yield	4.00%–6.50%
				Capitalisation rate	4.00%–7.00%
				Expected vacancy rate	0.00%–15.00%
				Monthly rental (RMB/square meter/ month)	21–660
		52,865	Direct comparison	Market price (RMB/square meter)	3,356–144,633
	Car park	45,375	Direct comparison	Market price (RMB/per car park)	65,000–530,000
Investment properties under construction	Commercial properties	14,887	Residual method	Market price (RMB/square meter)	5,500–40,500
				Budgeted cost (RMB/square meter)	1,233–7,610
				Anticipated developer's profit margin	5.00%–25.00%
	Car park	9,013	Residual method	Market price (RMB/per car park)	99,000–363,100
				Budgeted cost (RMB/square meter)	510–2,562
				Anticipated developer's profit margin	2.00%–15.00%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Investment Properties (Continued)

#### (c) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Relationship of unobservable inputs to fair value:

- The higher terminal and reversionary yield, the lower fair value;
- The higher capitalisation rate, the lower fair value;
- The higher expected vacancy, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

#### (d) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Rental income	811	647
Direct operating expenses arising from investment properties that generate rental income	(76)	(130)

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	31 December	
	2017	2016
	RMB million	RMB million
Not later than one year	344	383
Later than one year and not later than five years	881	842
Later than five years	622	597
	1,847	1,822

During the years ended 31 December 2017 and 2016, the investment properties are mainly located in the PRC and have lease periods less than 20 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Properties Under Development

	31 December	
	2017	2016
	RMB million	RMB million
Properties under development expected to be completed with one operating cycle included under current assets	851,363	577,851
Properties under development comprise:		
– Construction costs and capitalised expenditures	288,236	210,437
– Interests capitalised	79,693	47,651
– Land use rights	483,434	319,763
	851,363	577,851

All the properties under development are expected to be completed within one operating cycle.

The properties under development include costs of acquiring rights to use certain lands, which are located in the PRC, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

As at 31 December 2017, properties under development of approximately RMB323,269 million (2016: RMB226,804 million) were pledged as collateral for the Group's borrowings (note 21).

The capitalisation rate of borrowing costs for the year ended 31 December 2017 is 8.09% (2016: 8.27% ).

### 10 Completed Properties Held for Sale

All completed properties held for sale are located in the PRC.

As at 31 December 2017, completed properties held for sale of approximately RMB14,146 million (2016: RMB26,992 million) were pledged as collateral for the Group's borrowings (note 21).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Trade and Other Receivables

	31 December	
	2017	2016
	RMB million	RMB million
Trade receivables — third parties (note (a))	27,406	24,986
Other receivables:	97,728	60,790
— associates (note (b), note 36(b))	20	433
— joint ventures (note (b), note 36(b))	5,494	1,609
— non-controlling interests (note (b))	9,350	4,235
— loans to third parties (note (c))	40,043	26,704
— other amounts due from third parties (note (d))	42,821	27,809
	125,134	85,776
Less: non-current portion		
Trade receivables — third parties (note (a))	(4,352)	(9,342)
Current portion	120,782	76,434

As at 31 December 2017 and 2016, the fair value of trade and other receivables approximated their carrying amounts.

- (a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables as at the respective balance sheet dates is as follows:

	31 December	
	2017	2016
	RMB million	RMB million
Within 90 days	6,500	4,344
Over 90 days and within 180 days	4,039	3,573
Over 180 days and within 365 days	4,477	6,236
Over 365 days	12,390	10,833
	27,406	24,986



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Trade and Other Receivables (Continued)

(a) (Continued)

As at 31 December 2017, trade receivables of RMB1,123 million (31 December 2016: RMB601 million) were past due but not impaired. These accounts are mainly related to a number of customers who did not have a recent history of default, and the Group normally holds collateral of the properties before collection of the outstanding balances. The directors of the Company consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2017 (31 December 2016: nil). The ageing analysis of these trade receivables is as follows:

	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB million</b>	<b>RMB million</b>
Within 90 days	<b>198</b>	199
Over 90 days and within 180 days	<b>146</b>	118
Over 180 days and within 365 days	<b>419</b>	57
Over 365 days	<b>360</b>	227
	<b>1,123</b>	601

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

The carrying amounts of the Group's trade and other receivables are denominated in RMB.

- (b) Amounts are unsecured, interest free and repayable on demand.
- (c) Amounts represented loans to certain third parties which were facilitated through the internet finance platform.
- (d) Amounts mainly represented the deposits for acquisition of land use right, construction projects and borrowings, receivables of disposal of subsidiaries and cooperation parties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 Prepayments

	31 December	
	2017	2016
	RMB million	RMB million
Prepaid value added taxes and other taxes	10,906	5,816
Prepayments and advances to third parties (note (a))	137,219	59,685
	148,125	65,501
Less: non-current portion		
— prepayments for acquisition of property, plant and equipment	(1,202)	(2,754)
	146,923	62,747

(a) Amounts mainly represented the prepayments and advances to third parties for acquisition of land use rights and subsidiaries.

### 13 Investments Accounted for Using Equity Method

	31 December	
	2017	2016
	RMB million	RMB million
Associates	13,372	10,684
Joint ventures	17,004	13,690
	30,376	24,374

The amounts recognised in profit or loss are as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Share of profit of associates	1,202	630
Share of profit/(loss) of joint ventures	200	(833)
	1,402	(203)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investments in associates

The movements of the investments in associates is as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Balance as at 1 January	10,684	154
Additions	1,821	10,038
Disposals	(43)	(75)
Dividend declared	(250)	—
Share of post-tax profit of associates	1,202	630
Other comprehensive loss	(42)	(63)
Balance as at 31 December	13,372	10,684

Shengjing Bank Co., Ltd (“Shengjing Bank”) is a significant associate company of the Group, which is principally engaged in banking services in the PRC including provision of corporate and personal deposits, loans and advances, settlements, treasury businesses and etc.

Set out below is the summarised financial information of Shengjing Bank as at and for the period ended 31 December 2017, which, in the opinion of the directors of the Company, is material to the Group.

#### Summarised balance sheet

	31 December	
	2017	2016
	RMB million	RMB million
Financial assets	84,202	71,376
Other assets	955,528	841,552
Total assets	1,039,730	912,928
Financial liabilities	963,083	843,955
Other liabilities	17,016	15,153
Total liabilities	980,099	859,108
<b>Net assets</b>	<b>59,631</b>	<b>53,820</b>
<b>Net assets attributable to:</b>		
Shareholders of the Shengjing Bank	59,057	53,820
Non-controlling interests	574	—
	59,631	53,820

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investments in associates (Continued)

Summarised statement of comprehensive income

	Year ended 31 December 2017 RMB million	For the period from acquisition day to 31 December 2016 RMB million
Interest income	42,278	18,642
Interest expenses	(30,202)	(11,910)
<b>Profit before tax</b>	<b>7,579</b>	<b>4,665</b>
Income tax expense	(655)	(966)
<b>Profit for the period</b>	<b>6,924</b>	<b>3,699</b>
<b>Other comprehensive loss</b>	<b>(244)</b>	<b>(384)</b>
<b>Total comprehensive income</b>	<b>6,680</b>	<b>3,315</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Shengjing Bank	6,686	3,315
Non-controlling interests	(6)	—
	<b>6,680</b>	<b>3,315</b>

Reconciliation of summarised financial information

	31 December 2017 RMB million	2016 RMB million
<b>Net assets as at 1 January 2017/1 July 2016</b>	<b>53,820</b>	<b>50,505</b>
Profit for the period	6,930	3,699
Other comprehensive loss	(244)	(384)
Dividend	(1,449)	—
<b>Net assets as at 31 December</b>	<b>59,057</b>	<b>53,820</b>
Interest in the associate	10,205	9,300
Goodwill	1,210	1,210
<b>Carrying value</b>	<b>11,415</b>	<b>10,510</b>

There are no contingent liabilities or commitment relating to the Group's interest in the associates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investments in joint ventures

The movements of the interests in joint ventures are as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Balance as at 1 January	13,690	8,426
Additions (note a)	681	9,227
Disposals	—	(505)
Share of post-tax profit/(loss) of joint ventures	200	(833)
Other comprehensive income/(loss)	2,433	(2,625)
<b>Balance as at 31 December</b>	<b>17,004</b>	<b>13,690</b>

Note a: The Group acquired 50% equity interest of Great Eastern Life Assurance (China) Co., Ltd. on 1 November 2015, which subsequently changed its name as Evergrande Life Insurance Co., Ltd. ("Evergrande Life Insurance"), at a consideration of RMB3,939 million. Evergrande Life Insurance is engaged in insurance business, including life insurance, health insurance and etc.

The Group made additional capital injections of RMB3,000 million and RMB9,000 million to Evergrande Life Insurance in 2015 and 2016, respectively. Pursuant to the resolutions of shareholders' meeting of Evergrande Life Insurance, all shareholders agreed that the additional capital injections by the Group are only attributable to the Group and other shareholders will not share the capital surplus.

Set out below is the summarised financial information for Evergrande Life Insurance as at and for the period ended 31 December 2017, which, in the opinion of the directors of the Company, is material to the Group.

#### Summarised consolidated balance sheet

	31 December	
	2017	2016
	RMB million	RMB million
Cash and cash equivalents	2,451	5,075
Other assets	106,734	74,186
<b>Total assets</b>	<b>109,185</b>	<b>79,261</b>
Financial liabilities (excluding insurance liabilities)	250	250
Other liabilities (including insurance liabilities)	90,709	64,102
<b>Total liabilities</b>	<b>90,959</b>	<b>64,352</b>
<b>Net assets</b>	<b>18,226</b>	<b>14,909</b>
<b>Net assets attributable to:</b>		
Shareholders of the Evergrande Life Insurance	18,217	14,909
Non-controlling interests	9	—
	<b>18,226</b>	<b>14,909</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investment in joint ventures (Continued)

Summarised consolidated statement of comprehensive income

	Year ended 31 December 2017 RMB million	Year ended 31 December 2016 RMB million
Revenue	31,901	9,201
Depreciation and amortisation	(24)	(12)
Interest expenses	(3,131)	(2,023)
<b>Profit/(loss) before tax</b>	<b>883</b>	<b>(405)</b>
Income tax expenses	(8)	—
<b>Profit/(loss) for the year</b>	<b>875</b>	<b>(405)</b>
<b>Other comprehensive income/(loss)</b>	<b>2,433</b>	<b>(2,639)</b>
<b>Total comprehensive income/(loss)</b>	<b>3,308</b>	<b>(3,044)</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Shareholders of the Evergrande Life Insurance	3,308	(3,044)
Non-controlling interests	—	—
	<b>3,308</b>	<b>(3,044)</b>

Reconciliation of summarised financial information

	Year ended 31 December	
	2017 RMB million	2016 RMB million
<b>Net assets as at 1 January</b>	<b>14,909</b>	<b>8,953</b>
Profit/(loss) for the year	875	(405)
Other comprehensive income/(loss)	2,433	(2,639)
Capital injected by and attributable to the Group	—	9,000
<b>Net assets as at 31 December</b>	<b>18,217</b>	<b>14,909</b>
Interest in the Joint Venture	15,094	12,053
Goodwill	879	879
<b>Carrying value</b>	<b>15,973</b>	<b>12,932</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Available-For-Sale Financial Assets

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
At 1 January	36,805	2,595
Additions	67,100	47,060
Disposals	(96,339)	(8,798)
Net gains/(losses) recognised in equity	(1,481)	(4,052)
At 31 December	6,085	36,805
Less: Non-current portion	(4,565)	(36,805)
Current portion	1,520	—

Available-for-sale financial assets include the following:

	31 December	
	2017	2016
	RMB million	RMB million
Listed equity securities	2,641	34,823
— China Vanke Co., Ltd. (“Vanke”)	—	31,918
— Other listed equity securities	2,641	2,905
Unlisted equity investments	1,281	969
Other unlisted investments	2,163	1,013
	6,085	36,805

As at 31 December 2017, available-for-sale financial assets are denominated in RMB and USD.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31 December 2017 (2016: nil).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 Financial Assets at Fair Value Through Profit or Loss

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
As at 1 January	3,603	307
Additions	795	4,679
Disposals	(811)	(1,524)
Fair value (loss)/gain	(437)	141
As at 31 December	3,150	3,603

As at 31 December 2017 and 2016, financial assets at fair value through profit or loss represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, which are quoted in an active market.

Changes in fair values of these investments are recorded in 'Fair value (loss)/gain on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

The fair value of all equity securities is based on their quoted prices as of 31 December 2017 and 2016 in active markets.

### 16 Financial Instruments by Category

#### Assets as per consolidated balance sheet

	31 December	
	2017	2016
	RMB million	RMB million
<b>Loans and receivables</b>		
Trade and other receivables	125,134	85,776
Restricted cash	135,714	105,909
Cash and cash equivalents	152,008	198,420
	412,856	390,105
<b>Financial assets at fair value through profit or loss</b>	3,150	3,603
<b>Available-for-sale financial assets</b>	6,085	36,805
	422,091	430,513

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 Financial Instruments by Category

Liabilities as per consolidated balance sheet

	31 December	
	2017	2016
	RMB million	RMB million
<b>Other financial liabilities at amortised cost</b>		
Borrowings	732,625	535,070
Trade and other payables excluding other taxes and payroll payable	393,056	351,572
	1,125,681	886,642
<b>Financial derivative liabilities</b>	2,840	—
	1,128,521	886,642

### 17 Restricted Cash

The restricted cash is denominated in the following currencies:

	31 December	
	2017	2016
	RMB million	RMB million
— Denominated in RMB	135,587	105,908
— Denominated in other currencies	127	1
	135,714	105,909

The conversion of the RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2017 and 2016, the Group's restricted cash mainly comprised of guarantee deposits for construction of projects and guarantee deposits for bank acceptance notes and loans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 Cash and Cash Equivalents

	31 December	
	2017	2016
	RMB million	RMB million
Cash at bank and in hand:		
— Denominated in RMB	144,809	189,918
— Denominated in other currencies	7,199	8,502
	<b>152,008</b>	<b>198,420</b>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

### 19 Share Capital and Premium

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary share RMB million	Share premium RMB million	Total RMB million
As at 1 January 2016	13,798,429,900	137,984,299	971	—	971
Issuance of shares pursuant to the option scheme	24,123,000	241,230	2	73	75
Repurchase of shares (note a)	(127,665,000)	(1,276,650)	(9)	(31)	(40)
As at 31 December 2016	13,694,887,900	136,948,879	964	42	1,006
As at 1 January 2017	13,694,887,900	136,948,879	964	42	1,006
Issuance of shares pursuant to the option scheme	196,344,000	1,963,440	14	623	637
Repurchase of shares (note a)	(722,972,000)	(7,229,720)	(50)	(323)	(373)
As at 31 December 2017	13,168,259,900	131,682,599	928	342	1,270

- (a) During the year ended 31 December 2017, the Company repurchased an aggregate of 722,972,000 shares of its own shares through the Stock Exchange, at a total consideration of HK\$6,288 million (equivalent to approximately RMB5,577 million). The aforesaid repurchased shares were cancelled on 5 May 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Reserves

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserves RMB million	Total RMB million
Balance at 1 January 2016	(986)	926	7,287	176	234	—	7,637
Revaluation of available-for-sale financial assets, net of tax	—	(3,039)	—	—	—	—	(3,039)
Retained earnings appropriated to statutory reserves	—	—	3,073	—	—	—	3,073
Changes in ownership interests in subsidiaries without change of control	—	(1,194)	—	—	—	—	(1,194)
Issuance of shares pursuant to the option scheme	—	—	—	(17)	—	—	(17)
Employee share option scheme (note (c))	—	—	—	79	—	—	79
Issuance of shares pursuant to the Bonus Warrants	—	—	—	90	—	—	90
Repurchase of shares	—	—	—	—	9	—	9
Share of other comprehensive income of investments accounted for using the equity method	—	(2,688)	—	—	—	—	(2,688)
Currency translation differences	—	—	—	—	—	835	835
Disposal of subsidiaries	—	(46)	—	—	—	—	(46)
Balance at 31 December 2016	(986)	(6,041)	10,360	328	243	835	4,739
Balance at 1 January 2017	(986)	(6,041)	10,360	328	243	835	4,739
Revaluation of available-for-sale financial assets, net of tax	—	1,170	—	—	—	—	1,170
Retained earnings appropriated to statutory reserves	—	—	1,403	—	—	—	1,403
Capital injection from non-controlling interests	—	58,997	—	—	—	—	58,997
Changes in ownership interests in subsidiaries without change of control	—	(11,528)	—	—	—	—	(11,528)
Issuance of shares pursuant to the option scheme	—	—	—	(139)	—	—	(139)
Employee share option scheme (note (c))	—	—	—	709	—	—	709
Issuance of shares pursuant to the Bonus Warrants	—	—	—	1	—	—	1
Repurchase of shares	—	—	—	—	50	—	50
Share of other comprehensive income of investments accounted for using the equity method	—	2,391	—	—	—	—	2,391
Currency translation differences	—	—	—	—	—	(501)	(501)
Balance at 31 December 2017	(986)	44,989	11,763	899	293	334	57,292

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Reserves (Continued)

#### (a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange.

#### (b) Statutory reserves

Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

#### (c) Employee share option reserve

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 18 May 2010, 713,000,000 share options (the “2010 Options”) were granted to directors and employees with an exercise price of HK\$2.4 per share. All the options granted will be exercisable within 5 years after vesting.

On 9 October 2014, 530,000,000 share options (the “2014 Options”) were granted to directors and employees with an exercise price of HK\$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

On 6 October 2017, 743,570,000 share options (the “2017 Option”) were granted to directors and employees with an exercise price of HK\$30.2 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

	Year ended 31 December	
	2017	2016
Balance at 1 January	484,650,000	526,573,000
Granted during the year	743,570,000	—
Exercised during the year	(196,344,000)	(24,123,000)
Lapsed during the year	(45,140,000)	(17,800,000)
Balance at 31 December	986,736,000	484,650,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Reserves (Continued)

Particulars of share options as at 31 December 2017 and 2016 are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Number of outstanding shares as at 31 December	
				2017	2016
<b>2010 Options:</b>					
18 May 2010	5 year	18 May 2015 – 17 May 2020	HK\$2.4	3,726,000	50,090,000
<b>2014 Options:</b>					
9 October 2014	1 year	9 October 2015 – 8 October 2020	HK\$3.05	—	69,160,000
9 October 2014	2 year	9 October 2016 – 8 October 2021	HK\$3.05	—	90,000,000
9 October 2014	3 year	9 October 2017 – 8 October 2022	HK\$3.05	84,020,000	91,800,000
9 October 2014	4 year	9 October 2018 – 8 October 2023	HK\$3.05	86,880,000	91,800,000
9 October 2014	5 year	9 October 2019 – 8 October 2024	HK\$3.05	86,880,000	91,800,000
<b>2017 Options:</b>					
6 October 2017	1 year	6 October 2018 – 5 October 2023	HK\$30.20	145,046,000	—
6 October 2017	2 year	6 October 2019 – 5 October 2024	HK\$30.20	145,046,000	—
6 October 2017	3 year	6 October 2020 – 5 October 2025	HK\$30.20	145,046,000	—
6 October 2017	4 year	6 October 2021 – 5 October 2026	HK\$30.20	145,046,000	—
6 October 2017	5 year	6 October 2022 – 5 October 2027	HK\$30.20	145,046,000	—
				<b>986,736,000</b>	<b>484,650,000</b>

The weighted average fair value of the aforesaid options granted were determined by reference to valuation prepared by independent valuers, using the Binomial Model.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Borrowings

	31 December	
	2017	2016
	RMB million	RMB million
Borrowings included in non-current liabilities:		
Bank borrowings (note (d))	210,913	166,389
Senior notes (note (a))	57,682	22,112
PRC corporate bonds (note (b))	53,863	53,761
Other borrowings (note (c))	273,759	168,066
	596,217	410,328
Less: current portion of non-current borrowings	(219,973)	(78,164)
	376,244	332,164
Borrowings included in current liabilities:		
Bank borrowings	87,555	88,757
Current portion of non-current borrowings	219,973	78,164
— Bank borrowings (note (d))	78,028	29,902
— PRC corporate bonds (note (b))	36,482	6,756
— Other borrowings (note (c))	105,463	41,506
Other borrowings	48,853	35,985
	356,381	202,906
Total borrowings	732,625	535,070
The total borrowings are denominated in the following currencies:		
RMB	598,945	450,433
US dollar	88,295	74,452
HK dollar	29,826	4,081
EURO	15,559	6,104
	732,625	535,070



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Borrowings (Continued)

#### (a) Senior Notes

	31 December 2016 US\$ million	Old notes exchanged US\$ million	New notes issued for exchange US\$ million	New issuance US\$ million	Redemption US\$ million	31 December 2017 US\$ million
Par value						
2018 Notes	1,500	(1,073)	—	—	(427)	—
2019 Notes	300	(197)	—	—	(103)	—
2019 Private Notes	400	(395)	—	—	(5)	—
2020 Notes	1,000	(871)	—	—	(129)	—
2021 Notes	—	—	98	500	—	598
2023 Notes	—	—	345	1,000	—	1,345
2025 Notes	—	—	2,381	2,300	—	4,681
New 2020 Notes	—	—	—	500	—	500
2022 Notes	—	—	—	1,000	—	1,000
2024 Notes	—	—	—	1,000	—	1,000
<b>Total</b>	<b>3,200</b>	<b>(2,536)</b>	<b>2,824</b>	<b>6,300</b>	<b>(664)</b>	<b>9,124</b>
Unrecognised financing charges	(13)					(283)
Amortised cost — US\$	3,187					8,841
Amortised cost — RMB	22,112					57,682

On 31 October 2013, the Company issued 8.75%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,141 million) at 100% of the face value. On 13 November 2013, the Company further issued additional senior notes with the same terms in an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,071 million) at 100% of the face value (“2018 Notes”).

On 17 February 2015, the Company issued 12.00%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,133 million) at 100% of the face value (“2020 Notes”).

On 11 January 2016, the Company issued 7.80% three-year senior notes with an aggregated principal amount of US\$400 million (equivalent to approximately RMB2,625 million) at 100% of the face value (“2019 Private Notes”), and issued 8.00%, three-year senior notes with an aggregated principal amount of US\$300 million (equivalent to approximately RMB1,969 million) at 100% of the face value (“2019 Notes”).

On 23 March 2017, the Company issued 7.0%, three-year senior notes with an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,443 million) at 100% of the face value (“New 2020 Notes”) and 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value (“2022 Notes”).

On 29 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value (“2024 Notes”).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 Borrowings (Continued)

### (a) Senior Notes (Continued)

On 8 June 2017, the Company announced, among others, an exchange offer with respect to the aforementioned 2018 Notes, 2019 Private Notes, 2019 Notes and 2020 Notes (together the “Old Notes”).

On 28 June 2017, the Company has successfully exchanged the Old Notes totaling US\$2,536 million, together with the accrued and unpaid interest and the exchange premium, to three series of new senior notes totaling US\$2,824 million. Together with US\$3,800 million new senior notes issued for cash, the Company issued US\$6,624 million of senior notes in total (the “New Notes”).

Details of the New Notes are as follows:

On 28 June 2017, the Company issued 6.25%, four-year senior notes with an aggregated principal amount of US\$598 million (equivalent to approximately RMB4,078 million) at 100% of the face value (“2021 Notes”), 7.5%, six-year senior notes with an aggregated principal amount of US\$1,345 million (equivalent to approximately RMB9,172 million) at 100% of the face value (“2023 Notes”) and 8.75%, eight-year senior notes with an aggregated principal amount of US\$4,681 million (equivalent to approximately RMB31,921 million) at 100% of the face value (“2025 Note”).

In August 2017, the Company redeemed all its outstanding Old Notes with an aggregate principal amount of US\$664 million.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries.

### (b) PRC corporate bonds

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year public PRC corporate bonds (“PRC bonds”) with an aggregated principal amount of RMB5,000 million at 100% of the face value.

On 7 July 2015, a subsidiary of the Company issued 5.30%, four-year public PRC bonds with an aggregated principal amount of RMB6,800 million and 6.98%, seven-year PRC bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 16 October 2015, a subsidiary of the Company issued 7.38%, five-year non-public PRC bonds with an aggregated principal amount of RMB17,500 million and 7.88%, five-year PRC bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 12 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value.

On 29 July 2016, a subsidiary of the Company issued 6.80%, three-year non-public PRC bonds with an aggregated principal amount of RMB4,200 million at 100% of the face value.

Except for the PRC corporate bonds amounting to RMB2,500 million issued on 16 October 2015, other PRC corporate bonds contain the early redemption options.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 31 December 2017 and 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Borrowings (Continued)

#### (c) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

As at 31 December 2017, the Group's other borrowings of RMB279,099 million (2016: RMB148,459 million) were secured by pledge of the Group's property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank, intangible assets, account receivables and equity interest of certain subsidiaries, totalling RMB266,605 million (2016: RMB150,431 million).

#### (d) Bank borrowings

As at 31 December 2017, the Group's bank borrowings of RMB258,572 million (2016: RMB209,310 million) were secured by pledge of the Group's property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank, intangible asset, account receivables and equity interests of certain subsidiaries, totalling RMB331,453 million (2016: RMB241,976 million).

The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	<b>6 months or less</b>	<b>6–12 months</b>	<b>1–5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2017	148,347	260,586	278,952	44,740	732,625
At 31 December 2016	140,378	112,653	282,039	—	535,070

The maturity of the borrowings is as follows:

	<b>31 December</b>	
	2017	2016
	RMB million	RMB million
Bank borrowings, other borrowings, senior notes and PRC bonds:		
Within 1 year	356,381	202,906
1–2 years	184,875	161,247
2–5 years	145,519	158,720
Over 5 years	45,850	12,197
	<b>732,625</b>	<b>535,070</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Borrowings (Continued)

#### (d) Bank borrowings (Continued)

The effective interest rates were as follows:

	31 December 2017		31 December 2016	
	RMB million	Effective interest rate	RMB million	Effective interest rate
Bank and other borrowings	621,080	7.62%	459,197	7.74%
Senior notes	57,682	8.33%	22,112	9.81%
PRC bonds	53,863	7.18%	53,761	7.04%

The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2017		31 December 2016	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Bank and other borrowings	301,181	301,181	256,291	256,291
Senior notes	57,682	61,852	22,112	23,590
PRC bonds — public	14,905	15,013	19,852	20,310
PRC bonds — non-public	2,476	2,476	33,909	33,909

The fair value of the Group's bank borrowings, other borrowings and non-public PRC bonds approximates their carrying amounts at each of the balance sheet date for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

The fair values of senior notes as at 31 December 2017 are determined directly by references to the price quotations published by the Singapore Exchange Limited and The Hong Kong Exchanges and Clearing Limited on 31 December 2017, the last dealing date of 2017.

The fair value of the public PRC bonds at 31 December 2017 are determined directly by references to the price quotations published by The Shanghai Stock Exchange Limited and Shenzhen Stock Exchange Limited on 31 December 2017, the last dealing date of 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

	31 December	
	2017	2016
	RMB million	RMB million
Deferred income tax assets to be recovered within 12 months	(2,704)	(3,190)
Deferred income tax assets to be recovered after more than 12 months	(1,168)	(846)
Deferred income tax assets	(3,872)	(4,036)
Deferred income tax liabilities to be settled within 12 months	5,692	3,326
Deferred income tax liabilities to be settled after more than 12 months	45,864	35,098
Deferred income tax liabilities	51,556	38,424
	47,684	34,388

The net movements on the deferred taxation are as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
At 1 January	34,388	14,817
Acquisition of subsidiaries (note 38)	13,627	20,965
Tax charged relating to components of other comprehensive income	722	(1,013)
Disposal of subsidiaries	—	(187)
Recognised in income tax expenses (note 30)	(1,053)	(194)
At 31 December	47,684	34,388

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Deferred Income Tax (Continued)

Movements in gross deferred tax assets and liabilities are as follows:

#### Deferred income tax assets

	Temporary difference on unrealised profit of intercompany transactions RMB million	Tax losses RMB million	Temporary difference on recognition of cost of sales and expenses RMB million	Revaluation of available- for-sale financial assets RMB million	Carrying amount of land use right smaller than the tax bases RMB million	Bad debt provision and write- down of properties held for sale RMB million	Total RMB million
As at 1 January 2016	(603)	(1,540)	(400)	—	(45)	(164)	(2,752)
Acquisition of subsidiaries	—	—	—	—	(35)	—	(35)
Disposal of subsidiaries	—	584	—	—	—	—	584
Credited to other comprehensive income	—	—	—	(1,255)	—	—	(1,255)
Credited to the income tax expenses	(64)	(829)	(209)	—	—	(76)	(1,178)
As at 31 December 2016	(667)	(1,785)	(609)	(1,255)	(80)	(240)	(4,636)
As at 1 January 2017	(667)	(1,785)	(609)	(1,255)	(80)	(240)	(4,636)
Charged to other comprehensive income	—	—	—	947	—	—	947
Credited to the income tax expenses	(1,297)	(95)	(571)	—	25	(158)	(2,096)
As at 31 December 2017	(1,964)	(1,880)	(1,180)	(308)	(55)	(398)	(5,785)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2017, the Group did not recognise deferred tax assets of RMB4,171 million (2016: RMB1,347 million) in respect of tax losses amounting to RMB16,684 million (2016: RMB5,388 million) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

Year	RMB million
2018	1,038
2019	690
2020	588
2021	1,928
2022	12,440
	16,684

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Deferred Income Tax (Continued)

#### Deferred income tax liabilities

	Excess of carrying amount of land use right and intangible asset over the tax bases RMB million	Temporary difference on recognition of fair value gain of investment properties RMB million	Withholding tax on profit to be distributed in future RMB million	Revaluation of available-for- sale financial assets RMB million	Total RMB million
As at 1 January 2016	3,161	13,757	632	19	17,569
Acquisition of subsidiaries	21,000	—	—	—	21,000
Disposal of subsidiaries	(771)	—	—	—	(771)
Charged to other comprehensive income	—	—	—	242	242
(Credited)/charged to the income tax expenses	(774)	1,777	—	(19)	984
As at 31 December 2016	22,616	15,534	632	242	39,024
As at 1 January 2017	22,616	15,534	632	242	39,024
Acquisition of subsidiaries	13,627	—	—	—	13,627
Charged to other comprehensive income	—	—	—	(225)	(225)
(Credited)/charged to the income tax expenses	(2,411)	2,277	1,177	—	1,043
As at 31 December 2017	33,832	17,811	1,809	17	53,469



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Trade and Other Payables

	31 December	
	2017	2016
	RMB million	RMB million
Trade payables- third parties	257,459	182,994
Other payables:	131,994	163,809
— associates (note 36(b))	—	450
— joint ventures (note 36(b))	485	325
— non-controlling interests (note (a))	19,301	6,052
— advances from investors of subsidiaries	—	44,250
— unit holders of consolidated investment entities (note (b))	3,333	5,093
— holders of internet finance business products	41,060	27,990
— payables for acquisition of land use rights	38,211	36,291
— payables for acquisition of subsidiaries	12,670	28,691
— third parties (note (c))	16,934	14,667
Accrued expenses	3,603	4,769
Payroll payable	2,212	1,555
Other taxes payable	8,240	1,132
	403,508	354,259
Less: non-current portion		
Other payables:	(4,049)	(54,354)
— non-controlling interests (note (a))	(615)	(871)
— advance from investors of subsidiaries	—	(44,250)
— unit holders of consolidated investment entities (note (b))	(3,333)	(4,643)
— payables for acquisition of subsidiaries	—	(4,579)
— third parties	(101)	(11)
Current portion	399,459	299,905

(a) Amounts included certain cash advances from non-controlling interests of approximately RMB211 million (2016: RMB339 million) which bear average interest at 10% per annum (2016: 12%) and are repayable according to respective agreements.

(b) Amounts represented cash advances from the unit holders of consolidated investment entities of approximately RMB3,333 million (2016: RMB5,093 million ) which bear average interest rate at 9.6% per annum (2016: 7.8%) and are repayable in 2019.

(c) Amounts mainly represented deposits and temporary receipts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Trade and Other Payables (Continued)

The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

	31 December	
	2017	2016
	RMB million	RMB million
Within one year	226,564	162,756
Over one year	30,895	20,238
	257,459	182,994

The trade and other payables are denominated in the following currencies:

	31 December	
	2017	2016
	RMB million	RMB million
– Denominated in RMB	402,881	345,390
– Denominated in other currencies	627	8,869
	403,508	354,259

### 24 Current Income Tax Liabilities

The current income tax liabilities are analysed as follows:

	31 December	
	2017	2016
	RMB million	RMB million
Income tax payables		
– PRC corporate income tax	29,484	16,292
– PRC land appreciation tax	31,976	19,330
	61,460	35,622

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25 Other (Losses)/Gains — Net

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
(Loss)/gain on disposal of subsidiaries	(1)	6,612
Gain on disposal of joint ventures and associates	121	348
(Loss)/gain on disposal of available-for-sale financial assets (note a)	(7,191)	26
Net foreign exchange gains and others	1,049	—
	(6,022)	6,986

- (a) On 9 June 2017, the Group disposed of its entire investment in China Vanke Co., Ltd at an aggregated consideration of approximately RMB29,200 million, which incurred a loss of RMB7,176 million.

### 26 Other Income

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Interest income	4,078	3,716
Forfeited customer deposits	592	380
Gain on disposal of investment properties	168	371
Dividend income of available-for-sale financial assets	364	139
Others	345	331
	5,547	4,937

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 Expenses by Nature

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Cost of properties sold — including construction cost, land cost and interest cost	189,311	139,228
Tax and other levies	4,701	7,682
Employee benefit expenses (note 28)	11,593	8,696
Employee benefit expenditure — including directors' emoluments	17,259	13,292
Less: capitalised in properties under development, investment properties under construction and construction in progress	(5,666)	(4,596)
Advertising expenses	10,011	9,065
Sales commissions	1,615	1,107
Depreciation	1,772	1,634
Amortisation	222	330
Auditors' remuneration	32	26
— Audit services	29	23
— Non-audit services	3	3
Operating lease expenses	498	481
Write-down of properties held for sale	350	210
Donations	4,181	1,608

### 28 Employee Benefit Expenses

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Wages, salaries and bonus	13,257	10,767
Pension costs — statutory pension (note (a))	1,228	915
Staff welfare	1,533	1,123
Medical benefits	532	408
Employee share option schemes	709	79
	17,259	13,292
Less: capitalised in properties under development, investment properties under construction and construction in progress	(5,666)	(4,596)
	11,593	8,696

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28 Employee Benefit Expenses (Continued)

#### (a) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Gross scheme contributions	1,228	915

#### (b) Five highest paid individuals

During the year ended 31 December 2017, the five highest paid individuals include 1 director (2016: 1), whose emoluments are reflected in the analysis presented in note 41. The aggregate amounts of emoluments of the other 4 highest paid individuals for the year ended 31 December 2017 (2016: 4) are set out below:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Salaries and other benefits	127	97

The emoluments fell within the following bands:

	Year ended 31 December	
	2017	2016
HK\$20,000,000 to HK\$50,000,000	4	4

- (c) During the year ended 31 December 2017, no emolument was paid by the group entities to any of the above directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2016: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 Finance Costs

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
<b>Interest expenses</b>		
— Bank and other borrowings	(44,443)	(26,099)
— Senior notes	(4,511)	(1,974)
— PRC bonds	(3,825)	(3,595)
— Less: interest capitalised	45,053	26,339
	(7,726)	(5,329)
Exchange gains/(losses) from borrowings	1,010	(4,909)
Other finance costs	(1,201)	(1,063)
	(7,917)	(11,301)

### 30 Income Tax Expense

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Current income tax		
— Hong Kong profit tax	33	15
— PRC corporate income tax	22,633	11,065
— PRC land appreciation tax	18,811	8,359
	41,477	19,439
Deferred income tax (note 22)		
— PRC corporate income tax	(393)	(659)
— PRC land appreciation tax	(660)	465
	40,424	19,245

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 Income Tax Expenses (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Profit before income tax	77,473	36,862
Add: Share of (gain)/loss of investments in joint ventures and associates, net	(1,402)	203
	<b>76,071</b>	<b>37,065</b>
Calculated at PRC corporate income tax rate	19,018	9,266
PRC land appreciation tax deductible for PRC corporate income tax purposes	(4,538)	(2,206)
Income not subject to tax (note (a))	(147)	(50)
Expenses not deductible for tax purposes (note (b))	3,970	3,494
Utilisation of previously unrecognised tax losses	(226)	(1,143)
Tax losses for which no deferred income tax asset was recognised	3,110	528
Effect of different tax rates of subsidiaries	(91)	110
PRC corporate income tax	22,273	9,999
PRC withholding income tax	1,177	422
PRC land appreciation tax	18,151	8,824
	<b>40,424</b>	<b>19,245</b>

(a) Income not subject to tax for the year ended 31 December 2017 mainly comprised fair value gain on financial assets at fair value through profit or loss.

(b) Expenses not deductible for tax purpose for the year ended 31 December 2017 comprised mainly: (i) costs of land premium without official invoices resulted from acquisition of land through acquisition of companies; and (ii) borrowing costs and administrative expenses incurred by off-shore group companies.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 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, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

#### Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

#### 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 of 25% (2016: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

#### PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

#### PRC land appreciation tax

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 Earnings Per Share

#### (a) Basic

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2017	2016
Profit attributable to shareholders of the Company (RMB million)	24,372	5,091
Weighted average number of ordinary shares in issue (millions)	13,296	13,683
Basic earnings per share (RMB)	1.833	0.372

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company (RMB million)	24,372	5,091
Weighted average number of ordinary shares in issue (millions)	13,296	13,683
Adjustments for share options (millions)	284	210
Weighted average number of ordinary shares for diluted earnings per share (millions)	13,580	13,893
Diluted earnings per share (RMB)	1.795	0.366

### 32 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 Cash Flow Information

#### (a) Net cash generated from operations

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Profit for the year	37,049	17,617
Adjustments for:		
Income tax expenses	40,424	19,245
Interest income from bank deposits (note 26)	(4,078)	(2,728)
Finance costs (note 29)	8,927	6,392
Exchange (gains)/losses (note 25, note 29)	(2,059)	4,909
Depreciation (note 6)	1,772	1,634
Amortisation	222	330
Employee share option schemes (note 20)	709	79
Fair value gains on investment properties (note 8)	(8,513)	(5,124)
Fair value losses/(gains) on financial assets at fair value through profit or loss (note 15)	437	(141)
Fair value loss on derivative financial liabilities (note 37(b))	820	—
Gain on disposal of investment properties (note 26)	(168)	(371)
Gain on disposal of property, plant and equipment, and intangible assets	—	(18)
Gain on disposal of subsidiaries (note 25)	(1)	(6,612)
Share of (gain)/loss of investments accounted for using equity method (note 13)	(1,402)	203
Gain on disposal of joint ventures and associates (note 25)	(121)	(348)
Loss/(gain) on disposal of available-for-sales financial assets (note 25)	7,191	(26)
Dividend income on available-for-sale financial assets (note 26)	(364)	(139)
Changes in working capital:		
Properties under development and completed properties held for sale	(203,891)	(107,801)
Inventories	104	(158)
Restricted cash as guarantee for construction of projects and other operating activities	(14,847)	(33,679)
Trade and other receivables and prepayments	(92,515)	(61,310)
Trade and other payables and receipt in advance from customers	149,862	153,418
Net cash used in operations	(79,902)	(14,628)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 Cash Flow Information (Continued)

(b) The reconciliation of liabilities arising from financial activities is as follows:

	<b>Borrowings</b>	<b>Other payables (note (i))</b>	<b>Dividends</b>	<b>Total</b>
	RMB million	RMB million	RMB million	RMB million
As at 1 January 2017	535,070	56,170	—	591,240
Cash flows				
— Inflow from financing activities	524,625	3,663	—	528,288
— Outflow from financing activities	(331,416)	(11,942)	(241)	(343,599)
Non-cash changes				
— Acquisition of subsidiaries	5,032	—	—	5,032
— Foreign exchange adjustments	(1,009)	—	—	(1,009)
— Accrued dividends	—	—	241	241
— Other non-cash movement	323	(24,772)	—	(24,449)
As at 31 December, 2017	732,625	23,119	—	755,744

(i) Amounts represent cash advances from associates, joint ventures, non-controlling interests, investors of subsidiaries and unit holders of consolidated investment entities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34 Financial Guarantees

	31 December	
	2017	2016
	RMB million	RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	344,026	252,128
Guarantees for borrowings of cooperation parties (note (b))	10,200	6,056
Guarantees for borrowings of joint ventures (note 37(b))	2,229	—
	<b>356,455</b>	<b>258,184</b>

- (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 the financial guarantees measured at fair value is immaterial.

- (b) Amounts represent guarantees provided to certain cooperation parties (mainly construction subcontractors) of the Group, who are independent third parties, to obtain borrowings after assessing the credit history of these cooperation parties. The Group closely monitors the repayment progress of the relevant borrowings by these cooperation parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 Commitments

#### (a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December	
	2017	2016
	RMB million	RMB million
Property, plant and equipment:		
Not later than one year	512	442
Later than one year and not later than five years	760	971
Later than five years	80	110
	1,352	1,523

#### (b) Commitments for property development and acquisition of subsidiaries

	31 December	
	2017	2016
	RMB million	RMB million
Contracted but not provided for		
— Property development activities	195,317	163,244
— Acquisition of land use rights	71,487	60,535
— Acquisition of subsidiaries	10,574	—
	277,378	223,779

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Related Party Transactions

Dr. Hui Ka Yan (“Dr. Hui”) is the ultimate controlling shareholder and also the director of the Company.

#### (a) Transactions with related parties

Save as disclosed in note 11, 13 and 23, during the years ended 31 December 2017 and 2016, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group’s business:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
<b>Nature of transactions</b>		
<b>Associates</b>		
Sales of goods to associates	—	101
Provision of services to associates	—	16
Loan interest charged by an associate	65	10
	<b>65</b>	<b>127</b>
<b>Joint ventures</b>		
Financial guarantees to joint ventures	2,229	—
Sales of goods to joint ventures	622	39
Provision of services to joint ventures	47	36
Rental income from joint ventures	24	6
Advertisement service fees charged by a joint venture	286	267
Rental fee charged by joint ventures	50	24
Purchase of goods from a joint venture	6	10
Loan interest charged by a joint venture	534	222
	<b>3,798</b>	<b>604</b>

Aforementioned related party transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Related Party Transactions (Continued)

#### (b) Balances with related parties

As at 31 December 2017 and 2016, the Group had the following significant non-trade balances with related parties:

	<b>31 December</b>	
	2017	2016
	RMB million	RMB million
<b>Due from related parties (i)</b>		
Included in cash and cash equivalents:		
– Associates	31,691	4,220
Included in trade and other receivables:		
– Associates	20	433
– Joint ventures	5,494	1,609
	<b>5,514</b>	<b>2,042</b>
Included in prepayments		
– A joint venture	456	–
<b>Due to related parties (i)</b>		
Included in trade and other payables (note (i))		
– Associates	–	450
– Joint ventures	485	325
	<b>485</b>	<b>775</b>
Included in borrowings (note (ii))		
– A joint venture	2,700	2,700
– An associate	727	799
	<b>3,427</b>	<b>3,499</b>
Included in receipt in advance from customers		
– An associate	–	84

Note (i): The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

Note (ii): The balances are borrowings in nature, which are secured, carry interest at 10.02% per annum and repayable according to respective loan agreements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Related Party Transactions (Continued)

#### (c) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Salaries and other employee benefits	841	654
Retirement scheme contributions	3	2
	844	656

### 37 Non-Controlling Interests

	31 December	31 December
	2017	2016
	RMB million	RMB million
Perpetual Capital Instruments (note a)	—	112,944
Strategy investors and others (note b)	127,436	35,348
	127,436	148,292

#### (a) Perpetual capital instruments

	Year ended
	31 December
	2017
	RMB million
Balance as at 1 January	112,944
Profit attributable to holders of perpetual capital instruments	723
Decrease of the perpetual capital instruments	(113,667)
Balance as at 31 December 2017	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37 Non-Controlling Interests (Continued)

#### (b) Strategy investors and others

	31 December	
	2017	2016
	RMB million	RMB million
At 1 January	35,348	15,399
Profit for the year	11,954	1,880
Change in value of available-for-sale financial assets	995	—
Currency translation differences	(194)	—
Capital injection (note (i))	81,993	16,882
Acquisition of subsidiaries — acquisition of asset (note (ii))	406	1,172
Acquisition of subsidiaries — acquisition of business	1,701	6,707
Changes in ownership interests in subsidiaries without change of control (note (iii))	(4,520)	(6,297)
Dividends	(241)	(219)
Disposal of subsidiaries	(7)	(254)
Issuance of shares pursuant to the Bonus Warrants	1	78
	127,436	35,348

- (i) On 3 October 2016, Guangzhou Kailong Real Estate Company Limited (“Kailong Real Estate”, an indirectly wholly-owned PRC subsidiary of the Company) and Hengda Real Estate Group Company Limited (“Hengda Real Estate”, the wholly-owned PRC subsidiary of Kailong Real Estate), entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate and Properties (Group) Co. Ltd. (“Shenzhen Real Estate”, a company listed on the Shenzhen Stock Exchange) and Shenzhen Investment Holding Co. Ltd. (the controlling shareholder of Shenzhen Real Estate). Pursuant to the agreement, the four parties agreed to work towards entering into a reorganisation agreement under which Shenzhen Real Estate will acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration to Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate and thereby enabling the Group to effectively list its real estate related business on the Shenzhen Stock Exchange (the “Proposed Reorganisation”).

On 30 December 2016, Kailong Real Estate and Hengda Real Estate entered into the First Round Investment Agreements with certain strategy investors (the “First Round SIs”), pursuant to which the First Round SIs agreed to inject capital of RMB30,000 million to Hengda Real Estate. The amount of capital injection was subsequently revised to RMB30,500 million on 31 March 2017. On 31 May 2017, Kailong Real Estate and Hengda Real Estate entered into the Second Round Investment Agreements with certain strategy investors (the “Second Round SIs”), pursuant to which the Second Round SIs agreed to inject capital of RMB39,500 million to Hengda Real Estate. Up to 1 June 2017, total capital contributions of RMB70,000 million have been received by Hengda Real Estate in full.

On 6 November 2017, Kailong Real Estate, Hengda Real Estate and Professor Hui Ka Yan entered into the Third Round Investment Agreements with certain strategy investors (the “Third Round SIs”), pursuant to which the Third Round SIs agreed to inject capital of RMB60,000 million to Hengda Real Estate. The capital contributions of RMB60,000 million have been received by Hengda Real Estate on 7 November 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37 Non-Controlling Interests (Continued)

#### (b) Strategy investors and others (Continued)

##### (i) (Continued)

These capital injections resulted in an increase in the non-controlling interests and reserves of the Group totaling RMB68,938 million and RMB59,042 million.

Kailong Real Estate, Hengda Real Estate, Professor Hui Ka Yan and the First round SIs and the Second Round SIs have further entered into an amendment agreement (the "Amendment Agreement") on 28 June 2017. Pursuant to the First Round Investment Agreements, the Second Round Investment Agreements, the Amendment Agreement and the Third Round Investment Agreements, if the Proposed Reorganisation cannot be completed by 31 January 2020 (for the First and Second Round SIs) or 31 January 2021 (for the Third Round SIs) respectively, the SIs have right to:

- (a) request Kailong Real Estate to repurchase the SIs' equity interest in Hengda Real Estate at their original investment costs; Kailong Real Estate has the option of electing not to repurchase such equity interest, in such event, Professor Hui Ka Yan should repurchase SIs' equity interest at its original investment cost; or
- (b) request Kailong Real Estate to compensate the SIs additional shares of Hengda Real Estate equal to 50% of the shares held by the SIs before compensation.

The above share compensation arrangement constitutes an embedded derivative liability and has been recognised as a financial derivative liability. The Group measured the financial derivative liability at fair value of RMB2,840 million as at 31 December 2017, with a revaluation loss of RMB820 million recognised in profit or loss for the year then ended. The fair value of financial derivative liability was determined by reference to valuation prepared by an independent valuer, using the Binomial Lattice Model approach. Detailed disclosure of valuation of fair value financial derivative liability is made in note 4(c).

- (ii) During the year ended 31 December 2017, the Group acquired controlling interests of certain property development companies in the PRC at consideration totaling approximately RMB95,856 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB406 million.
- (iii) During the year ended 31 December 2017, the Group acquired certain equity interests of certain subsidiaries amounting to RMB4,520 million from non-controlling shareholders, the difference between consideration paid and the carrying amount of equity interest acquired amounting to RMB11,528 million was recognised as a decrease in reserves.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 Business Combinations

During the year ended 31 December 2017, the Group acquired controlling interests of certain property development companies and other companies in the PRC.

During the year ended 31 December 2017, the Group acquired certain property development companies at a total consideration of RMB22,409 million.

The following table summarises the consideration paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	22,246
Fair value of investment in an associate held before business combination	163
<b>Total consideration</b>	<b>22,409</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	693
Property, plant and equipment	309
Land use rights	11
Intangible assets	1
Properties under development	52,582
Trade and other receivables	3,247
Deferred income tax assets	177
Borrowings	(5,032)
Trade and other payables	(5,163)
Receipt in advance from customers	(9,088)
Deferred income tax liabilities	(13,627)
<b>Total identifiable net assets</b>	<b>24,110</b>
Non-controlling interest	(1,701)
<b>Identifiable net assets acquired</b>	<b>22,409</b>
<b>Goodwill</b>	<b>—</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 Business Combinations (Continued)

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

	RMB million
Cash considerations	22,246
Prepaid in prior year	(565)
Considerations deferred	(5,344)
Cash and cash equivalents acquired	(693)
<hr/>	
Payment for business combinations conducted in the year	15,644
Payment for business combinations conducted in prior year	21,365
<hr/>	
Cash outflow on acquisitions	37,009

Acquisition-related costs of RMB1.19 million have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2017.

No contingent liability has been recognised for the business combination.

The acquired businesses contributed revenues of RMB3,357 million and net losses of RMB245 million to the Group for the period from the respective acquisition dates to 31 December 2017. If the acquisitions had occurred on 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been RMB311,140 million and RMB39,941 million respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Balance Sheet and Reserve Movements of the Company

#### Balance sheet of the Company

	31 December 2017 RMB million	31 December 2016 RMB million
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	2,875	1,432
Property, plant and equipment	7	11
	2,882	1,443
<b>Current assets</b>		
Available-for-sale financial assets	1,183	—
Amounts due from subsidiaries	73,502	87,552
Other receivables	1,513	505
Cash and cash equivalents	567	6,625
	76,765	94,682
<b>Total assets</b>	<b>79,647</b>	<b>96,125</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to shareholders of the Company</b>		
Share capital and premium	1,270	1,006
Other reserves	2,115	1,495
Accumulated losses	(7,491)	(108)
	(4,106)	2,393
Perpetual capital instruments	—	7,298
<b>Total equity</b>	<b>(4,106)</b>	<b>9,691</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	57,682	25,612
<b>Current liabilities</b>		
Borrowings	—	34,794
Amounts due to subsidiaries	26,071	24,570
Other payables	—	1,458
	26,071	60,822
<b>Total liabilities</b>	<b>83,753</b>	<b>86,434</b>
<b>Total equity and liabilities</b>	<b>79,647</b>	<b>96,125</b>

The balance sheet of the Company was approved by the Board on 26 March 2018 and was signed on its behalf.

Hui Ka Yan  
Director

Pan Da Rong  
Director



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Balance Sheet and Reserve Movements of the Company (Continued)

#### Reserve movement of the Company

	Other reserves RMB million	Retained earnings RMB million
At 1 January 2016	1,424	5,404
Loss for the year	—	1,369
Dividends	—	(5,262)
Issuance of shares pursuant to the option scheme	(17)	—
Employee share option schemes	79	—
Repurchase of shares	9	(659)
Distribution to holders of perpetual capital instruments	—	(960)
<b>At 31 December 2016</b>	<b>1,495</b>	<b>(108)</b>
At 1 January 2017	1,495	(108)
Profit for the year	—	(1,708)
Dividends	—	—
Issuance of shares pursuant to the option scheme	(139)	—
Employee share option schemes	709	—
Repurchase of shares	50	(5,253)
Distribution to holders of perpetual capital instruments	—	(422)
<b>At 31 December 2017</b>	<b>2,115</b>	<b>(7,491)</b>

### 40 Subsequent Events

In January 2018, the Company has partially redeemed the 6.98% PRC corporate bonds due 2019 with an aggregated principal amount of RMB5,482 million.

In February 2018, the Company issued 4.25% convertible bonds (the “Bonds”) due 2023 with an aggregated principal amount of HK\$18,000 million at the face value. The Bonds will mature in five years from the issuance date and is convertible to ordinary shares of the Company at the holder’s option at the conversion price of HK\$38.99 per share during the period from 27 March 2018 to the seventh day prior to the Bonds’ maturity date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 41 Benefits and Interests of Directors

#### (a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the year ended 31 December 2017 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	224	—	—	—	224
Mr. Xia Haijun ( <i>Chief executive</i> )	224	280,044	15	17,786	298,069
Ms. He Miaoling	240	12,680	—	1,702	14,622
Mr. Pan Da Rong	420	6,365	52	2,722	9,559
Mr. Shi Junping	164	7,876	52	1,148	9,240
Mr. Andrew Huang	224	4,530	15	851	5,620
Mr. Chau Shing Yim David	336	—	—	193	529
Mr. He Qi	360	—	—	77	437
Ms. Xie Hongxi	360	—	—	116	476
	2,552	311,495	134	24,595	338,776

The remuneration of directors of the Company for the year ended 31 December 2016 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	251	—	—	—	251
Mr. Xia Haijun ( <i>Chief executive</i> )	251	252,476	16	17,456	270,199
Mr. Tse Wai Wah (note (a))	311	6,348	12	1,047	7,718
Mr. Pan Da Rong (note (b))	142	8,831	40	—	9,013
Mr. Xu Wen	240	8,596	49	1,396	10,281
Ms. He Miaoling	240	13,628	—	1,746	15,614
Mr. Andrew Huang	251	4,817	16	873	5,957
Mr. Chau Shing Yim David	690	—	—	175	865
Mr. He Qi	360	—	—	175	535
Ms. Xie Hongxi	360	—	—	175	535
	3,096	294,696	133	23,043	320,968

(a): Resigned on 30 August 2016.

(b): Appointed on 30 August 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 41 Benefits and Interests of Directors (Continued)

#### (b) Directors' retirement benefits

During the year ended 31 December 2017, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2016: same).

#### (c) Directors' termination benefits

During the year ended 31 December 2017, there was no termination benefits received by the directors (2016: same).

#### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, no consideration was paid for making available the services of the directors of the Company (2016: same).

#### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During year ended 31 December 2017, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors..

#### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### 42 Particulars of principal subsidiaries

The following is a list of the particulars of principal subsidiaries at 31 December 2017:

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
<i>Incorporated in the BVI with limited liability and operating in the PRC</i>					
ANJI (BVI) Limited	26 June 2006	US\$100	100%	—	Investment holding
ShengJian (BVI) Limited	29 January 2007	US\$100	—	100%	Investment holding
Ever Grace Group Limited	18 September 2008	US\$100	—	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
<i>Incorporated in Hong Kong with limited liability and operating in the PRC</i>					
Success Will Group Limited	5 July 2007	HK\$1,000	—	100%	Investment holding
Wisdom Gain Group Limited	13 June 2003	US\$10,000	—	100%	Investment holding
Full Hill Limited	3 January 2002	US\$1	—	100%	Investment holding
Grandday Group Limited	16 January 2008	US\$100	—	100%	Investment holding
<i>Incorporated and operating in Hong Kong with limited liability</i>					
Pioneer Time Investment Limited	15 January 2016	US\$10,000	—	100%	Property investment
<i>Incorporated in the PRC with limited liability and operating in the PRC</i>					
恒大地產集團有限公司 Hengda Real Estate Group Company Limited	24 June 1996	RMB2,500,000,000	—	100%	Property development
恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited	17 July 2006	RMB4,821,000,000	—	100%	Property development
鄂州恒大房地產開發有限公司 Ezhou Hengda Real Estate Development Company Limited	11 July 2008	RMB390,000,000	—	100%	Property development
恒大鑫豐(彭山)置業有限公司 Hengda Xinfeng (Pengshan) Property Company Limited	23 April 2010	RMB821,520,000	—	100%	Property development
啟東譽豪置業有限公司 Yuhao (Qidong) Property Company Limited	1 January 2007	USD66,070,000	—	100%	Property development
啟東勤盛置業有限公司 Qinsheng (Qidong) Property Company Limited	1 January 2007	USD141,100,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Property Company Limited	5 September 2007	RMB457,000,000	—	100%	Property development
佛山市南海俊誠房地產開發有限公司 Nanhai Juncheng (Foshan) Real Estate Development Company Limited	23 November 2007	RMB1,632,653,061	—	100%	Property development
江西宏吉投資有限公司 Hongji (Jiangxi) Investment Company Limited	12 November 2012	RMB383,580,000	—	100%	Property development
天津市津麗湖投資有限公司 Jinli Lake (Tianjin) Investment Company Limited	13 November 2009	RMB690,000,000	—	100%	Property development
濟南恒大綠洲置業有限公司 Jinan Hengdalvzhou Property Corporation Limited	18 January 2010	RMB870,000,000	—	100%	Property development
成都天府水城房地產開發有限公司 Tianfu Shuicheng (Chengdu) Real Estate Development Company Limited	22 March 2010	USD230,000,000	—	100%	Property development
濟南恒大金碧房地產開發有限公司 Hengda Jinbi (Jinan) Real Estate Development Company Limited	18 May 2010	RMB740,000,000	—	100%	Property development
石家莊地益嘉房地產開發有限公司 Shijiazhuang Diyijia Real Estate Company Limited	5 April 2010	RMB5,000,000	—	100%	Property development
榆中俊興房地產開發有限公司 Yuzhong Junxing Real Estate Company Limited	28 July 2010	RMB790,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團呼和浩特有限公司 Hengda (Huhehaote) Real Estate Group Company Limited	6 September 2010	RMB390,000,000	—	100%	Property development
哈爾濱市恒大偉業房地產開發 有限公司 Harbin Hengda Weiye Real Estate Development Company Limited	26 January 2011	RMB780,000,000	—	100%	Property development
清遠市銀湖城投資有限公司 Yinhucheng (Qingyuan) Investment Company Limited	28 September 2009	RMB800,000,000	—	100%	Property development
濰坊金碧置業有限公司 Jinbi (Weifang) Property Company Limited	4 March 2011	RMB600,000,000	—	100%	Property development
恒大地產集團韶關有限公司 Hengda (Shaoguan) Real Estate Group Company Limited	16 March 2011	RMB1,003,170,000	—	100%	Property development
六安粵通置業有限公司 Luan Yuetong Property Corporation Limited	13 July 2011	RMB290,000,000	—	100%	Property development
恒大地產集團恩平有限公司 Hengda (Enping) Real Estate Group Company Limited	21 February 2012	RMB1,020,000,000	—	100%	Property development
新鄉御景置業有限公司 Yujing (Xinxiang) Property Corporation Limited	23 May 2012	RMB100,000,000	—	100%	Property development
寧波御城置業有限公司 Yucheng (Ningbo) Property Company Limited	30 May 2012	USD76,834,508	—	100%	Property development
海口外灘城房地產有限公司 Waitancheng (Haikou) Real Estate Company Limited	5 September 2012	RMB700,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
濟南俊匯置業有限公司 Junhui (Jinan) Property Company Limited	13 May 2013	RMB288,000,000	—	100%	Property development
重慶恒大鑫泉置業有限公司 Hengda Xinquan (Chongqing) Property Company Limited	6 June 2013	RMB2,000,000,000	—	100%	Property development
北京沙河恒大置業有限公司 Shahe Hengda (Beijing) Property Company Limited	12 July 2013	RMB1,330,000,000	—	100%	Property development
宜昌楚天恒大房地產開發有限公司 Chutian Hengda (Yichang) Real Estate Company Limited	10 September 2013	RMB150,000,000	—	60%	Property development
常德鑫澤置業有限公司 Xinze (Changde) Property Company Limited	26 August 2013	RMB110,000,000	—	60%	Property development
恒大地產集團北京有限公司 Hengda (Beijing) Real Estate Group Company Limited	11 September 2013	RMB1,830,000,000	—	100%	Property development
杭州穗華置業有限公司 Hangzhou Suihua Property Company Limited	25 September 2013	RMB1,500,000,000	—	100%	Property development
南京旭泰房地產開發有限公司 Nanjing Xutai Real Estate Company Limited	20 November 2013	RMB970,000,000	—	100%	Property development
南京美旭房地產開發有限公司 Nanjing Meixu Real Estate Development Company Limited	20 November 2013	RMB1,503,000,000	—	100%	Property development
北京恒興盛房地產開發有限公司 Hengxingsheng (Beijing) Real Estate Company Limited	8 November 2013	RMB3,520,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
天津帝景房地產開發有限公司 Tianjin Dijing Real Estate Development Company Limited	23 December 2013	RMB30,000,000	—	100%	Property development
太原市俊恒房地產開發有限公司 Taiyuan Junheng Real Estate Company Limited	16 January 2014	RMB760,000,000	—	100%	Property development
北京正浩置業有限公司 Zhenghao (Beijing) Property Company Limited	4 March 2014	RMB1,750,000,000	—	100%	Property development
北京恒龍置業有限公司 Henglong (Beijing) Property Company Limited	12 March 2014	RMB1,200,000,000	—	100%	Property development
成都市恒大新西城置業有限公司 Hengda New West City Property Company Limited	29 April 2014	RMB710,000,000	—	100%	Property development
太原金世恒房地產開發有限公司 Jinshiheng (Taiyuan) Real Estate Company Limited	27 November 2014	RMB1,096,530,000	—	100%	Property development
鄭州恒林置業有限公司 Henglin (Zhengzhou) Property Company Limited	6 September 2013	RMB500,239,600	—	51%	Property development
濟南東進龍鼎置業有限公司 Jinan Dongjin Longding Property Company Limited	3 November 2014	RMB820,000,000	—	100%	Property development
莆田金碧置業有限公司 Putian Jinbi Property Company Limited	2 April 2015	RMB20,000,000	—	100%	Property development
贛州恒大地產有限公司 Hengda (Ganzhou) Real Estate Company Limited	6 May 2015	RMB261,000,000	—	100%	Property development



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
重慶永利置業有限公司 Yongli (Chongqing) Property Company Limited	22 April 2015	RMB90,288,000	—	90%	Property development
張家港盛建置業有限公司 Shengjian (Zhangjiagang) Property Company Limited	13 May 2015	RMB350,000,000	—	90%	Property development
廈門恒大置業有限公司 Xiamen Hengda Property Company Limited	4 June 2015	RMB20,000,000	—	100%	Property development
重慶恒大鑫源置業有限公司 Chongqing Hengda Xingai Property Company Limited	21 August 2014	RMB1,000,000,000	—	100%	Property development
北京恒隆興置業有限公司 Henglongxing (Beijing) Property Company Limited	25 June 2015	RMB1,000,000,000	—	100%	Property development
雲南恒雲置業有限公司 Yunnan Hengyun Property Company Limited	26 May 2015	RMB214,000,000	—	51%	Property development
武漢三江航天嘉園房地產開發 有限公司 Sanjiang Hangtian Jiayuan (Wuhan) Real Estate Development Company Limited	11 November 2015	RMB10,000,000	—	67%	Property development
湖北三江航天商業經營有限公司 Sanjiang Hangtian (Wuhan) Business Operation Company Limited	11 December 2015	RMB10,000,000	—	67%	Property development
重慶中渝物業發展有限公司 Zhongyu (Chongqing) Property Management Company Limited	10 July 2015	USD131,000,000	—	60%	Property development
愛美高實業(成都)有限公司 Avergo (Chengdu) Industrial Company Limited	14 July 2015	USD449,400,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
儋州中潤旅遊開發有限公司 Zhongrun (Danzhou) Tourism Development Company Limited	19 August 2015	RMB20,000,000	—	100%	Property development
儋州信恒旅遊開發有限公司 Xinheng (Danzhou) Tourism Development Company Limited	19 August 2015	RMB800,000,000	—	100%	Property development
江陰雅盛恒泰置業有限公司 Jiangyin Yasheng Hengtai Property Company Limited	19 July 2013	RMB400,000,000	—	100%	Property development
懷來恒天房地產開發有限公司 Hengtian (Huailai) Real Estate Development Company Limited	18 September 2015	RMB750,000,000	—	100%	Property development
重慶尖置房地產有限公司 Jianzhi (Chongqing) Real Estate Company Limited	10 July 2015	HKD5,880,000,000	—	69%	Property development
衡水隆澤房地產開發有限公司 Longze (Hengshui) Real Estate Development Company Limited	10 December 2015	RMB617,293,000	—	60%	Property development
南寧耀世龍庭房地產開發有限公司 Yaoshi Dragon Court (Nanning) Real Estate Development Company Limited	25 November 2015	RMB20,000,000	—	100%	Property development
南京臨江御景房地產開發有限公司 Linjiang Yujing (Nanjing) Real Estate Development Company Limited	11 December 2015	RMB1,471,650,000	—	100%	Property development
珠海市恒大海泉灣置業有限公司 Hengda Haiquanwan (Zhuhai) Property Company Limited	10 December 2015	RMB821,812,000	—	51%	Property development
海南陵水棕櫚泉置業有限公司 Lingshui Zonglvquan (Hainan) Property Company Limited	12 June 2015	RMB1,070,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
杭州晶立置業有限公司 Hangzhou Jingli Property Company Limited	2 February 2016	USD370,000,000	—	100%	Property development
貴陽新世界房地產有限公司 New World (Guiyang) Real Estate Company Limited	18 February 2016	USD301,350,000	—	100%	Property development
新世界中國地產(海口)有限公司 New World China Real Estate (Haikou) Company Limited	14 January 2016	USD750,000,000	—	100%	Property development
武漢新世界康居發展有限公司 New World Peaceful Living (Wuhan) Development Company Limited	5 January 2016	RMB96,000,000	—	60%	Property development
上海豐濤置業有限公司 Fengtao (Shanghai) Property Company Limited	14 March 2016	RMB316,949,620	—	90%	Property development
哈爾濱市佳業恒房地產開發有限公司 Jiaye (Harbin) Real Estate Development Company Limited	18 January 2016	RMB20,000,000	—	100%	Property development
青島金灣置業有限公司 Qingdao Jinwan Property Company Limited	25 January 2016	RMB1,000,000,000	—	100%	Property development
長沙湘江名苑房地產有限公司 Xiangjiang Mingyuan (Changsha) Real Estate Company Limited	22 April 2016	RMB410,000,000	—	51%	Property development
北京富華房地產開發有限公司 Fuhua (Beijing) Real Estate Development Company Limited	11 January 2016	USD29,900,000	—	100%	Property development
廣盛華僑(大亞灣)房產開發有限公司 Guangsheng Huacqiao (Dayawan) Real Estate Development Company Limited	29 April 2016	USD20,820,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團鹽城南置業有限公司 Chengnan (Yancheng) Real Estate Property Company Limited	27 January 2016	RMB620,000,000	—	100%	Property development
天津御景灣投資有限公司 Yujingwan (Tianjin) Investment Company Limited	29 February 2016	RMB740,000,000	—	100%	Property development
佛山市裕朗通房地產開發有限公司 Yulangtong (Foshan) Real Estate Development Company Limited	26 February 2016	RMB1,600,000,000	—	100%	Property development
瀋陽嘉興置業有限公司 Jiaxing (Shenyang) Property Company Limited	28 March 2016	RMB350,000,000	—	100%	Property development
佛山市南海俊凱房地產開發有限公司 Nanhai Junkai (Foshan) Real Estate Development Company Limited	13 April 2016	RMB1,200,000,000	—	100%	Property development
廣東江門船廠有限公司 Jiangmen Chuanchang (Guangdong) Company Limited	17 October 2016	RMB50,000,000	—	100%	Property development
河南恒龍置業有限公司 Henglong (Henan) Property Company Limited	14 April 2016	RMB500,000,000	—	100%	Property development
甘肅恒源房地產開發有限公司 Hengyuan (Gansu) Real Estate Development Company Limited	25 March 2016	RMB60,000,000	—	100%	Property development
哈爾濱高登置業有限公司 Gaodeng (Harbin) Property Company Limited	31 March 2016	RMB941,200,000	—	100%	Property development
濟南御峰置業有限公司 Yufeng (Jinan) Property Company Limited	1 April 2016	RMB500,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
北海君海旅遊文化有限公司 Junhai (Beihai) Tourism Culture Company Limited	31 March 2016	RMB1,000,000	—	100%	Property development
成都心怡房地產開發有限公司 Xinyi (Chengdu) Real Estate Development Company Limited	3 May 2016	USD99,500,000	—	100%	Property development
武漢市金碧翡翠房地產開發有限公司 Jinbi Feicui (Wuhan) Real Estate Development Company Limited	13 May 2016	RMB975,000,000	—	100%	Property development
瀋陽嘉景置業有限公司 Jiajing (Shenyang) Property Company Limited	23 May 2016	RMB350,000,000	—	100%	Property development
開封國際城一號實業開發有限公司 Guojicheng Yihao (Kaifeng) Industrial Development Company Limited	17 May 2010	USD152,500,000	—	100%	Property development
山西蘭花康宇房地產開發有限公司 Lanhua Kangyu(Shanxi) Real Estate Development Company Limited	1 July 2016	RMB50,400,000	—	82%	Property development
成都盛世瑞城置業有限公司 Shengshi Ruicheng (Chengdu) Property Company Limited	4 July 2016	RMB530,000,000	—	100%	Property development
鄭州玖智房地產開發有限公司 Jiuzhi (Zhengzhou) Real Estate Development Company Limited	5 July 2016	RMB500,000,000	—	51%	Property development
貴陽中渝置地房地產開發有限公司 Zhongyu (Guiyang) Property Real Estate Development Company Limited	26 December 2016	USD130,000,000	—	100%	Property development
梅州大百匯品牌產業園有限公司 Big Parkway (Meizhou) Brand Industrial Park Company Limited	8 June 2016	RMB100,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
沐水利華房地產開發有限公司 Laishui Lihua Real Estate Development Company Limited	8 July 2016	RMB142,857,000	—	65%	Property development
四川亞天瑞和投資有限公司 Yatian Ruihe (Sichuan) Investment Company Limited	6 June 2016	RMB102,500,000	—	100%	Property development
成都樹仁置業有限公司 Shuren (Chengdu) Property Company Limited	14 July 2016	RMB10,000,000	—	100%	Property development
上饒市恒大置業有限公司 Hengda (Shangrao) Property Company Limited	11 August 2016	RMB50,000,000	—	100%	Property development
大連東方盛都置地有限公司 Dongfang Shengdu (Dalian) Real Estate Company Limited	8 July 2016	RMB110,000,000	—	100%	Property development
新津恒大新城置業有限公司 Hengda Xincheng (Xinjin) Property Company Limited	22 June 2016	RMB483,118,005	—	100%	Property development
無錫雲廈置業有限公司 Yunxia (Wuxi) Property Company Limited	25 July 2016	RMB560,000,000	—	100%	Property development
濟南源浩置業有限公司 Jinan Yuanhao Property Company Limited	18 July 2016	RMB9,000,000,000	—	100%	Property development
柳州山水韻和置業有限公司 Shanshui Yunhe (Liuzhou) Property Company Limited	24 August 2016	RMB33,333,400	—	85%	Property development
濟南西開置業有限公司 Jinan Xikai Property Company Limited	16 August 2016	RMB18,000,000	—	100%	Property development
濟南西業置業有限公司 Jinan Xiye Property Company Limited	16 August 2016	RMB18,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
威海華府置業有限公司 Huafu (Weihai) Property Company Limited	6 September 2016	RMB300,000,000	—	100%	Property development
佛山市三水盈盛房地產發展有限公司 Sanshui Yingsheng (Foshan) Real Estate Development Company Limited	8 September 2016	RMB880,000,000	—	100%	Property development
成都裕龍壹號房地產開發有限公司 Yulong Yihao (Chengdu) Real Estate Development Company Limited	18 September 2012	RMB525,000,000	—	100%	Property development
唐山市福家房地產開發有限公司 Fujia (Tangshan) Real Estate Development Company Limited	11 December 2008	RMB200,000,000	—	100%	Property development
汕頭市恒合置業有限公司 Henghe (Shantou) Property Company Limited	3 December 2015	RMB200,000,000	—	100%	Property development
湖州市烏虹湖置業有限公司 Wuhonghu (Huzhou) Property Company Limited	27 October 2016	RMB1,632,653,061	—	51%	Property development
昆明恒海房地產開發有限公司 Henghai (Kunming) Real Estate Development Company Limited	24 October 2016	RMB20,000,000	—	51%	Property development
臨沂恒金置業有限公司 Hengjin (Linyi) Property Company Limited	23 September 2016	RMB50,000,000	—	60%	Property development
太原恒德隆房地產開發有限公司 Hengdelong (Taiyuan) Real Estate Development Company Limited	4 November 2016	—	—	100%	Property development
西安遠聲實業有限公司 Yuansheng (Xian) Industrial Company Limited	26 December 2016	RMB120,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
重慶同景宏航置地有限公司 Tongjing Honghang (Chongqing) Land Limited	22 December 2016	RMB220,000,000	—	100%	Property development
南通盛建置業有限公司 Shengjian (Nantong) Property Company Limited	9 January 2017	RMB500,000,000	—	100%	Property development
四川川大科技園(南區)開發有限公司 Sichuan University Science Park (Southern District) Development Company Limited	13 January 2017	RMB34,482,800	—	100%	Property development
佛山市三水區能潤置地房地產開發 有限公司 Sanshui Nengrun (Foshan) Real Estate Development Company Limited	4 April 2007	RMB752,000,000	—	100%	Property development
濟南西創置業有限公司 Xichuang (Jinan) Property Company Limited	18 January 2017	RMB18,000,000	—	100%	Property development
濟南西實置業有限公司 Xishi (Jinan) Property Company Limited	18 January 2017	RMB18,000,000	—	100%	Property development
四川雍橋置業有限公司 Yongqiao (Sichuan) Property Company Limited	26 October 2009	RMB100,000,000	—	100%	Property development
南京東潤置業有限公司 Dongrun (Nanjing) Property Company Limited	1 April 2017	RMB640,000,000	—	100%	Property development

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

#### (a) Non-controlling Interest

Set out below is summarised financial information for Hengda Real Estate Group Company Limited (“Hengda Real Estate”) with non-controlling interests that are material to the Group. The amounts disclosed for Hengda Real Estate are before inter-company elimination.

Summarised consolidated balance sheet

	31 December 2017 RMB million
Current assets	1,384,781
Current liabilities	(971,551)
Net current assets	413,230
Non-current assets	185,281
Non-current liabilities	(339,838)
Non-current net liabilities	(154,557)
<b>Net assets</b>	<b>258,673</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

#### (a) Non-controlling Interest (Continued)

Summarised consolidated statement of comprehensive income

	Year ended 31 December 2017 RMB million
Revenue	299,543
Profit for the year	41,998
Other comprehensive income	1,808
<b>Total comprehensive income</b>	<b>43,806</b>
Total comprehensive income attributable to shareholders of Hengda Real Estate	41,004
Total comprehensive income attributable to non-controlling interest	2,802

Summarised consolidated statement of cash flows

	Year ended 31 December 2017 RMB million
Cash flows of operating activities, net	(78,398)
Cash flows of investing activities, net	(42,775)
Cash flows of financing activities, net	83,486
Exchange loss on cash and cash equivalents	(254)
<b>Net decrease in cash and cash equivalents</b>	<b>(37,941)</b>

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the Shareholders of China Evergrande Group**  
(formerly known as “Evergrande Real Estate Group Limited”)  
(incorporated in the Cayman Islands with limited liability)

## Opinion

### What we have audited

The consolidated financial statements of China Evergrande Group (the “Company”) and its subsidiaries (the “Group”) set out on pages 71 to 174, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## INDEPENDENT AUDITOR'S REPORT

**Independence**

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Estimated fair value of investment properties
- Assessment of net realisable value of properties under development and completed properties held for sale
- Classification of the investment in China Vanke Co. Ltd. as an available-for-sale financial asset

**Key Audit Matter****How our audit addressed the Key Audit Matter****Estimated fair value of investment properties**

Refer to note 2(h) of accounting policy of investment properties and note 4 of critical accounting estimates and judgements to the consolidated financial statements.

The Group's investment properties were measured at fair value of RMB132,045 million as at 31 December 2016, with a revaluation gain of RMB5,124 million recorded in the consolidated statement of comprehensive income for the year then ended. Independent external valuations were obtained for the full property portfolio in order to support management's estimates. The valuations of completed investment properties prepared under income capitalisation approach were dependent on certain key assumptions that required significant management judgement, including capitalisation rate, fair market rent and fair market price. The valuations of investment properties under construction prepared under residual approach were also dependent upon the estimated costs to completion and expected developer's profit margin.

We have performed the following procedures to address this key audit matter:

- (i) We evaluated the independent external valuers' competence, capabilities and objectivity;
- (ii) We involved our in-house valuation experts to assess the income capitalisation approach and residual approach used by the external valuers based on our knowledge of the property industry; and
- (iii) We checked, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rate, fair market rent and fair market price, to the recent renewal of lease or sale transactions of the Group and of the market. For the estimated costs to completion and expected developer's profit margin, we also checked to the construction budget and historical information of similar properties of the Group.

We found that the key assumptions used in the valuations were supported by the available evidence.

## INDEPENDENT AUDITOR'S REPORT

## Key Audit Matter

## How our audit addressed the Key Audit Matter

**Assessment of net realisable value of properties under development and completed properties held for sale**

Refer to note 4 of critical accounting estimates and judgements, note 9 of properties under development and note 10 of completed properties held for sale to the consolidated financial statements.

Properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB658,627 million as at 31 December 2016 and accounted for approximately 49% of the Group's total assets. At the year end, management assessed the carrying amounts of PUD and PHS at the lower of cost or net realisable value and made related provision as appropriate.

We focused on this net realisable value assessment because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.

We have performed the following procedures to address this key audit matter:

- (i) We understood, evaluated and validated the internal control over the Group's process in determining the costs to completion of PUD and net realisable values of PUD and PHS based on prevailing market conditions; and
- (ii) As part of our risk assessment in this area, we compared the relevant PUD and PHS balances against the result of management's net realisable value assessment made in the prior years to consider, with hindsight, whether management's net realisable value assessment estimation process had been subject to management bias;
- (iii) We then challenged the reasonableness of management's key estimates for:
  - Estimated selling price which is based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions, such as the Group's selling price of the same project's pre-sale units or the prevailing market price of the comparable properties with similar size, usage and location;
  - Estimated variable selling expenses as a percentage of the related estimated selling price of the properties. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and
  - Estimated costs to completion for PUD. We reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared to the actual costs of similar completed properties of the Group.

We found that management's estimates on the net realisable value of the Group's properties were supported by the available evidence.

## INDEPENDENT AUDITOR'S REPORT

**Key Audit Matter****How our audit addressed the Key Audit Matter****Classification of the investment in China Vanke Co. Ltd. as an available-for-sale financial asset**

Refer to note 14 to the consolidated financial statements.

During the year ended 31 December 2016, the Group invested in 1,553,210,974 A shares of China Vanke Co. Ltd. ("Vanke"), representing approximately 14.07% of the issued share capital of Vanke. The aggregate consideration paid by the Group for this investment was approximately RMB36,273 million.

Management intended to hold the investment in Vanke for long-term investment purpose and therefore it was accounted for as an available-for-sale financial asset. The Group had no right to nominate any director of Vanke as at 31 December 2016 pursuant to the time requirement set out in the articles of association of Vanke and the Group had no other means to exercise any significant influence over Vanke as an associate.

Classification of the investment in Vanke involved application of management's judgement through the analysis of various factors, including the percentage of equity interest held by the Group, representation on the investee's board of directors and also the Group's intention in this transaction. Therefore, this matter is considered as a key audit matter.

We have performed the following procedures to address this key audit matter:

- (i) We discussed with management to understand the Group's intention of the investment in Vanke, inspected the relevant board of directors' meeting minutes, and confirmed that the purpose of this transaction was for long-term investment.
- (ii) We examined the custodian statements to check the Group's shareholding in Vanke and management's representation that there was no frequent trading of these securities during the year.
- (iii) We checked the board composition of Vanke during the year ended 31 December 2016 and noted that none of the directors was appointed by the Group.
- (iv) In addition, we inspected the articles of association of Vanke to evaluate management's assessment that the Group had no right to nominate any director of Vanke as at 31 December 2016.

Based on the procedures performed, we noted that management's judgement applied in accounting for the investment in Vanke was supported by the available evidence.

**Other Information**

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 28 March 2017



## CONSOLIDATED BALANCE SHEET

	Note	31 December 2016 RMB million	31 December 2015 RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	20,833	16,720
Land use rights	7	5,401	3,625
Investment properties	8	132,045	97,146
Properties under development	9	—	248
Trade and other receivables	11	9,342	10,730
Prepayments	12	2,754	1,038
Intangible assets		241	372
Investments accounted for using equity method	13	24,374	8,580
Available-for-sale financial assets	14	36,805	2,595
Deferred income tax assets	23	4,036	2,752
Goodwill		1,402	885
		<b>237,233</b>	<b>144,691</b>
<b>Current assets</b>			
Inventories		230	1,311
Properties under development	9	577,851	329,610
Completed properties held for sale	10	80,776	54,118
Trade and other receivables	11	76,434	21,708
Prepayments	12	62,747	37,137
Income tax recoverable		7,665	4,131
Financial assets at fair value through profit or loss	15	3,603	307
Restricted cash	17	105,909	60,932
Cash and cash equivalents	18	198,420	103,090
		<b>1,113,635</b>	<b>612,344</b>
<b>Total assets</b>		<b>1,350,868</b>	<b>757,035</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital and premium	19	1,006	971
Other reserves	20	4,739	7,637
Retained earnings		38,495	42,398
		<b>44,240</b>	<b>51,006</b>
Perpetual capital instruments	21	112,944	75,737
Non-controlling interests	38	35,348	15,399
<b>Total equity</b>		<b>192,532</b>	<b>142,142</b>

## CONSOLIDATED BALANCE SHEET

	Note	31 December 2016 RMB million	31 December 2015 RMB million
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	332,164	138,162
Other payables	24	54,354	2,481
Deferred income tax liabilities	23	38,424	17,569
		<b>424,942</b>	<b>158,212</b>
<b>Current liabilities</b>			
Borrowings	22	202,906	158,744
Trade and other payables	24	299,905	191,309
Receipt in advance from customers		194,961	83,061
Current income tax liabilities	25	35,622	23,567
		<b>733,394</b>	<b>456,681</b>
<b>Total liabilities</b>		<b>1,158,336</b>	<b>614,893</b>
<b>Total equity and liabilities</b>		<b>1,350,868</b>	<b>757,035</b>

The notes on pages 79 to 174 are an integral part of these consolidated financial statements.

**Hui Ka Yan**  
Director

**Pan Darong**  
Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2016	2015
		RMB million	RMB million
Revenue	5	211,444	133,130
Cost of sales	28	(152,022)	(95,717)
<b>Gross profit</b>		<b>59,422</b>	<b>37,413</b>
Fair value gains on investment properties	8	5,124	12,859
Other gains	26	6,986	323
Other income	27	4,937	2,262
Selling and marketing costs	28	(15,983)	(13,325)
Administrative expenses	28	(9,598)	(6,139)
Other operating expenses	28	(2,663)	(1,077)
<b>Operating profit</b>		<b>48,225</b>	<b>32,316</b>
Fair value gain on financial assets at fair value through profit or loss	15	141	2,515
Finance costs	30	(11,301)	(2,994)
Share of loss of investments accounted for using equity method	13	(203)	(392)
<b>Profit before income tax</b>		<b>36,862</b>	<b>31,445</b>
Income tax expenses	31	(19,245)	(14,105)
<b>Profit for the year</b>		<b>17,617</b>	<b>17,340</b>
<b>Other comprehensive income</b> <i>(Item that may be reclassified to profit or loss)</i>			
Change in value of available-for-sale financial assets, net of tax		(3,039)	30
Share of other comprehensive income of investments accounted for using the equity method		(2,688)	—
Currency translation differences		835	—
		(4,892)	30
<b>Total comprehensive income for the year</b>		<b>12,725</b>	<b>17,370</b>
<b>Profit attributable to:</b>			
Shareholders of the Company		5,091	10,460
Holders of perpetual capital instruments		10,646	5,088
Non-controlling interests		1,880	1,792
		17,617	17,340

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2016 RMB million	2015 RMB million
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		199	10,490
Holders of perpetual capital instruments		10,646	5,088
Non-controlling interests		1,880	1,792
		<b>12,725</b>	<b>17,370</b>
Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	32	0.372	0.713
— Diluted earnings per share	32	0.366	0.703

The notes on pages 79 to 174 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Perpetual capital instruments	Non- controlling interests	Total
	Share capital	Share premium	Reserves	Retained earnings	Total			
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Balance as at 1 January 2015</b>	1,021	—	5,849	44,250	51,120	52,852	8,406	112,378
<b>Comprehensive income</b>								
Profit for the year	—	—	—	10,460	10,460	5,088	1,792	17,340
<b>Other comprehensive income</b>								
Available-for-sale financial assets	—	—	30	—	30	—	—	30
<b>Total comprehensive income</b>	—	—	30	10,460	10,490	5,088	1,792	17,370
<b>Transactions with owners</b>								
Transfer to statutory reserves	—	—	1,851	(1,851)	—	—	—	—
Issuance of shares pursuant to the option scheme (note 19, note 20)	19	957	(268)	—	708	—	—	708
Employee share option schemes	—	—	112	—	112	—	—	112
Proceeds from share placement (note 19)	50	3,580	—	—	3,630	—	—	3,630
Repurchase of shares (note 19)	(119)	(4,537)	119	(3,729)	(8,266)	—	—	(8,266)
Dividends (note 33, note 38)	—	—	—	(6,732)	(6,732)	—	(220)	(6,952)
Issuance of perpetual capital instruments (note 21)	—	—	—	—	—	44,322	—	44,322
Redemption of perpetual capital instruments (note 21)	—	—	—	—	—	(20,902)	—	(20,902)
Distribution to holders of perpetual capital instruments (note 21)	—	—	—	—	—	(5,623)	—	(5,623)
Changes in ownership interests in subsidiaries without change of control (note 38)	—	—	(56)	—	(56)	—	(85)	(141)
Capital injection from non-controlling interests (note 38)	—	—	—	—	—	—	624	624
Non-controlling interests arising from business combination (note 38)	—	—	—	—	—	—	3,233	3,233
Acquisition of subsidiaries (note 38)	—	—	—	—	—	—	1,649	1,649
<b>Total transactions with owners</b>	(50)	—	1,758	(12,312)	(10,604)	17,797	5,201	12,394
<b>Balance as at 31 December 2015</b>	971	—	7,637	42,398	51,006	75,737	15,399	142,142

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Perpetual capital instruments	Non- controlling interests	Total
	Share capital	Share premium	Reserves	Retained earnings	Total			
	RMB million	RMB million	RMB million	RMB million	RMB million			
<b>Balance as at 1 January 2016</b>	971	—	7,637	42,398	51,006	75,737	15,399	142,142
<b>Comprehensive income</b>								
Profit for the year	—	—	—	5,091	5,091	10,646	1,880	17,617
<b>Other comprehensive income</b>								
Change in value of available-for-sale financial assets	—	—	(3,039)	—	(3,039)	—	—	(3,039)
Share of other comprehensive income of investments accounted for using the equity method	—	—	(2,688)	—	(2,688)	—	—	(2,688)
Currency translation differences	—	—	835	—	835	—	—	835
<b>Total comprehensive income</b>	—	—	(4,892)	5,091	199	10,646	1,880	12,725
<b>Transactions with owners</b>								
Transfer to statutory reserves	—	—	3,073	(3,073)	—	—	—	—
Issuance of shares pursuant to the option scheme (note 19, note 20)	2	73	(17)	—	58	—	—	58
Employee share option schemes	—	—	79	—	79	—	—	79
Issuance of shares pursuant to the Bonus Warrants	—	—	90	—	90	—	78	168
Repurchase of shares (note 19)	(9)	(31)	9	(659)	(690)	—	—	(690)
Dividends (note 33, note 38)	—	—	—	(5,262)	(5,262)	—	(219)	(5,481)
Issuance of perpetual capital instruments (note 21)	—	—	—	—	—	59,754	—	59,754
Redemption of perpetual capital instruments (note 21)	—	—	—	—	—	(25,789)	—	(25,789)
Distribution to holders of perpetual capital instruments (note 21)	—	—	—	—	—	(5,728)	—	(5,728)
Changes in ownership interests in subsidiaries without change of control (note 38)	—	—	(1,194)	—	(1,194)	—	(6,297)	(7,491)
Capital injection from non-controlling interests (note 38)	—	—	—	—	—	—	16,882	16,882
Non-controlling interests arising from business combination (note 38)	—	—	—	—	—	—	6,707	6,707
Acquisition of subsidiaries (note 38)	—	—	—	—	—	—	1,172	1,172
Disposal of subsidiaries (note 38)	—	—	(46)	—	(46)	(1,676)	(254)	(1,976)
<b>Total transactions with owners</b>	(7)	42	1,994	(8,994)	(6,965)	26,561	18,069	37,665
<b>Balance as at 31 December 2016</b>	964	42	4,739	38,495	44,240	112,944	35,348	192,532

The notes on pages 79 to 174 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2016	2015
		RMB million	RMB million
<b>Cash flows of operating activities</b>			
Net cash (used in)/generated from operations	34	(14,628)	1,891
Income tax paid		(13,106)	(6,065)
Interest paid		(30,876)	(19,575)
<b>Net cash used in operating activities</b>		<b>(58,610)</b>	<b>(23,749)</b>
<b>Cash flows of investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	39	(44,120)	(3,885)
Purchases of property, plant and equipment and investment properties		(15,927)	(15,518)
Proceeds from disposal of property, plant and equipment, land use rights and intangible asset		808	612
Proceeds from disposal of investment properties		2,378	780
Purchase of land use rights		(344)	(182)
Purchase of intangible assets		(58)	(86)
Investment in associates		(10,038)	(136)
Investment in joint ventures		(11,384)	(5,802)
Proceeds from disposal of joint ventures and associates		111	—
Purchase of financial assets purchased under resale agreements		(1,672)	—
Net cash received from disposal of subsidiaries		2,507	—
Purchase of available-for-sale financial assets	14	(47,060)	(4,824)
Proceeds from disposal of available-for-sale financial assets		8,824	3,006
Dividend received	27	139	43
Purchase of financial assets at fair value through profit or loss	15	(4,679)	(2,367)
Proceeds from disposal of financial assets at fair value through profit or loss	15	1,524	15,571
Repayment from associates		965	1,199
Repayment from joint ventures		1,686	—
Cash advance to associates		(823)	—
Cash advance to joint ventures		(1,608)	(1,686)
Cash advance to non-controlling interests		(2,951)	(285)
Prepayments for acquisition of subsidiaries		(565)	—
Interest received	27	2,728	1,007
<b>Net cash used in investing activities</b>		<b>(119,559)</b>	<b>(12,553)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2016	2015
		RMB million	RMB million
<b>Cash flows of financing activities</b>			
Proceeds from bank and other borrowings		424,511	189,572
Repayments of bank and other borrowings		(237,892)	(105,102)
Proceeds from PRC corporate bonds		14,112	39,522
Proceeds from senior notes		4,564	6,115
Repayments of senior notes		(3,700)	—
Proceeds from unit holders of consolidated investment entities		3,333	1,760
Repayment to unit holders of consolidated investment entities		—	(5,500)
Interest paid to unit holders of consolidated investment entities		(179)	(357)
Proceeds from perpetual capital instruments	21	59,754	44,322
Redemption of perpetual capital instruments	21	(25,789)	(20,902)
Distribution to holders of perpetual capital instruments	21	(5,728)	(5,623)
Proceeds from shares issued		—	3,630
Repurchase of shares		(690)	(8,266)
Issuance of ordinary shares pursuant to share option scheme		58	708
Dividends paid		(5,481)	(6,952)
Acquisitions of non-controlling interests in subsidiaries		(3,877)	(141)
Capital injection from non-controlling interests	38	16,882	624
Cash advance from associates		83	—
Repayment to associates		(334)	(401)
Cash advance from joint ventures		274	598
Repayment to joint ventures		(547)	—
Cash advance from non-controlling interests		4,747	—
Repayment made to non-controlling interests		(3,974)	(758)
Advances from investors of subsidiaries	24(b)	44,250	—
Restricted cash pledged for bank borrowings		(11,298)	(23,403)
<b>Net cash generated from financing activities</b>		<b>273,079</b>	<b>109,446</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		103,090	29,847
Exchange gain on cash and cash equivalents		420	99
<b>Cash and cash equivalents at end of year</b>		<b>198,420</b>	<b>103,090</b>

The notes on pages 79 to 174 are an integral part of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General Information

China Evergrande Group (the “Company”, previously known as Evergrande Real Estate Group Limited) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in the property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business in the People’s Republic of China (the “PRC”). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 November 2009.

These consolidated financial statements are presented in Renminbi Yuan (“RMB”) millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 28 March 2017.

## 2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### (i) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group’s financial year beginning on 1 January 2016. The adoption of these amended standards 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, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKAS 27 (Amendment)	Equity method in separate financial statements
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(a) Basis of preparation (Continued)****(ii) 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 2016 and have not been early adopted by the Group:

HKAS 7 (Amendments)	Changes in liabilities arising from financial activities <sup>1</sup>
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>4</sup> Effective date is to be determined by the International Accounting Standard Board.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations.

The amendments to HKAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment, the Group's financial assets currently classified as available-for-sale (AFS) would appear to satisfy the conditions for classification as fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. And the Group expects that its financial assets currently measured at amortised cost and fair value through profit or loss will continue with their respective classification and measurements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(a) Basis of preparation (Continued)****(ii) New standards and amendments to standards that have been issued but are not effective (Continued)**

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

At this stage, the Group is not able to estimate the impact of HKFRS 15 on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(a) Basis of preparation (Continued)****(ii) New standards and amendments to standards that have been issued but are not effective (Continued)**

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. Management expects there will be no significant impact on the Group's financial statements when it becomes effective as the Group does not have material lease arrangements as lessee.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

**(b) Consolidation****(i) Subsidiaries**

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

**(ii) Business combinations**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(b) Consolidation (Continued)****(ii) Business combinations (Continued)**

Acquisition-related costs are expensed off as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

**(iii) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(iv) 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.

**(v) Investments in subsidiaries**

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(c) Associates**

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the 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 post-tax loss of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(d) Joint arrangements**

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations 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. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(e) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

**(f) Foreign currency translation****(i) Functional and presentation currency**

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(f) Foreign currency translation (Continued)****(ii) Transactions and balances (Continued)**

Foreign exchange gain and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated statement of comprehensive income within "finance income/(costs), net". All other foreign exchange gain and losses are presented in the consolidated statement of comprehensive income within "Administrative expenses".

**(iii) Group entities**

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses of each income statement of the group entities are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

**(g) 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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–30 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(g) Property, plant and equipment (Continued)**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains, in the statement of comprehensive income.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**(h) Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commences to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of Significant Accounting Policies (Continued)

### (i) Intangible assets

#### (i) Water resource license

Water resource license acquired in a business combination are recognised at fair value at the acquisition date. Water resource license have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of water resource license over their estimated useful lives of 20 years.

#### (ii) Brand name

Brand name acquired in a business combination are recognised at fair value at the acquisition date. Brand name have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand name over its estimated useful lives less than 10 years.

#### (iii) Copy rights

Copy rights are acquired and are recognised at historical cost. Copy rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of copy rights over its estimated useful lives less than 10 years.

#### (iv) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from three to five years over the expected life of the customer relationship.

#### (v) Computer softwares

Acquired computer software licenses 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 of three to ten years.

#### (vi) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(j) Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(k) Financial assets****(i) Classification**

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

***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 those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(k) Financial assets (Continued)****(ii) Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets 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.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “fair value gain on financial assets at fair value through profit or loss” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss.

Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group’s right to receive payments is established.

**(iii) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**(l) Impairment of financial assets****(i) Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(l) Impairment of financial assets (Continued)****(i) Assets carried at amortised cost (Continued)**

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value 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 statement of comprehensive income.

**(ii) Assets classified as available for sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments 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, 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 profit or loss on equity instruments are not reversed through profit or loss.

**(m) Properties under development**

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises mainly construction costs, cost of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

**(n) Completed properties held for sale**

Completed properties remaining unsold at the end of each relevant year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(o) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**(p) Trade and other receivables**

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**(q) Cash and cash equivalents**

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

Bank deposits which are restricted to use are classified as "restricted cash". Restricted cash are excluded from cash and cash equivalents in the cash flow statements.

**(r) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's share (treasury shares), the consideration paid, including any directly attributable incremental costs (net of "income taxes") is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

**(s) Perpetual capital instruments**

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

**(t) Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 effective interest method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(u) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part 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 respective balance sheet date.

**(v) Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(w) 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.

**(i) 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.

**(ii) Deferred income tax*****Inside basis differences***

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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.

***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.

**(iii) Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(x) Employee benefits****(i) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) Retirement benefits**

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

**(iii) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(y) Share-based payments**

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (“options”) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- (i) including any market performance conditions (for example, an entity’s share price);
- (ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- (iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

**(z) Provisions and contingent liabilities**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(aa) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminated sales with the group entities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

**(i) Sales of properties**

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheets under current liabilities.

**(ii) Property management**

Revenue arising from property management is recognised in the accounting period in which the services are rendered, using a straight-line basis over the term of the contract.

**(iii) Construction and decoration services**

Revenue arising from construction and decoration service is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**(iv) Hotel operations**

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered or services are rendered.

**(v) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**(vi) Rental income**

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

**(vii) Sales of goods**

The Group manufactures and sells a range of consumer products, including bottled water product, food product and dairy product in wholesale and retail market. Revenue from sales of goods are recognised when the products have been delivered to the customers.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Summary of Significant Accounting Policies (Continued)****(aa) Revenue recognition (Continued)****(viii) Advertising income**

Advertising income is recognised upon the publication of the edition in which the advertisement is placed.

**(ix) Income from medical cosmetology and health management**

Income from medical cosmetology and health management are recognised when the services have been rendered to customers. The period of these services rendered is usually within a day.

**(ab) Leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

**(i) The Group is the lessee other than operating lease of land use rights**

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

**(ii) The Group is the lessee under operating lease of land use rights**

Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

**(iii) The Group is the lessor**

Assets leased out under operating leases are included in investment properties in the balance sheets.

**(ac) Dividend distribution**

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where appropriate.

**(ad) Financial guarantee liabilities**

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured 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 of fees recognised.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Financial Risk Management****(a) Financial risk factor**

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**(i) Foreign exchange risk**

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 31 December 2016, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
Monetary assets		
– HK\$	1,150	5,199
– US\$	9,431	10,865
– Others	1	20
	<b>10,582</b>	16,084
Monetary liabilities		
– HK\$	13,878	20,497
– US\$	74,452	48,349
– Others	6,104	44
	<b>94,434</b>	68,890

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
5% appreciation in RMB against HK\$	477	547
5% depreciation in RMB against HK\$	(477)	(547)
5% appreciation in RMB against US\$	2,329	1,449
5% depreciation in RMB against US\$	(2,329)	(1,449)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Financial Risk Management (Continued)****(a) Financial risk factor (Continued)****(ii) Price risk**

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group, which are publicly traded in stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2016 would increase/decrease by approximately RMB135 million (2015: increase/decrease by approximately RMB12 million), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB1,380 million higher/lower (2015: RMB97 million higher/lower).

**(iii) Interest rate risk**

The Group's interest-bearing assets and liabilities are mainly restricted cash, cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2016, if interest rate on borrowings had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2016 would decrease/increase by approximately RMB637 million (2015: decrease/increase by approximately RMB210 million), mainly as a result of more/less interest expenses on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

**(iv) Credit risk**

Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, trade and other receivables. Deposits are only placed with reputable banks.

For credit exposures to customers, credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Financial Risk Management (Continued)****(a) Financial risk factor (Continued)****(iv) Credit risk (Continued)**

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 35. 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 retain 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.

**(v) Liquidity risk**

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments. 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.

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the years ended 31 December 2016. As at 31 December 2016, the Group's total borrowings stood at RMB535,070 million. During the year ended 31 December 2016 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:

- During the year ended 2016, the Group issued subordinated perpetual capital instruments with the aggregate net proceeds of RMB59,754 million;
- During the year ended 2016, the Group has issued senior notes to raise net funds totaling RMB4,539 million with tenures of 3 years and corporate bonds in the PRC ("PRC bonds") to raise net funds totaling RMB9,940 million with tenures of 4 years to optimise the structure of short-term borrowings and long-term borrowings;
- On 17 March 2017, the Group has issued 7.0%, three-year senior notes with an aggregated principal amount of US\$500 million at the face value and 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million at the face value;
- On 24 March 2017, the Group has issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million.

Except for the aforementioned recent developments, the Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options based on its assessment of relevant future costs and benefits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 Financial Risk Management (Continued)

## (a) Financial risk factor (Continued)

## (v) Liquidity risk (Continued)

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2016 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 analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscount cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2016					
Borrowings	237,568	190,744	174,100	4,980	607,392
Trade and other payables*	297,722	36,916	4,167	13,730	352,535
	<b>535,290</b>	<b>227,660</b>	<b>178,267</b>	<b>18,710</b>	<b>959,927</b>
At 31 December 2015					
Borrowings	175,823	64,116	83,047	10,453	333,439
Trade and other payables*	188,051	1,466	1,529	—	191,046
	<b>363,874</b>	<b>65,582</b>	<b>84,576</b>	<b>10,453</b>	<b>524,485</b>

\* Excluding staff welfare benefit payable and other taxes payable.

The amounts have not included financial guarantee contracts:

- which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (note 35). 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;
- which the Group make for its cooperation parties' bank borrowings (note 35). Such guarantees terminate upon the repayment of relevant bank borrowings.

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Financial Risk Management (Continued)****(b) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated balance sheets.

The gearing ratios as at 31 December 2016 and 2015 were as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Total borrowings (Note 22)	535,070	296,906
Total assets	1,350,868	757,035
Gearing ratio	39.6%	39.2%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 Financial Risk Management (Continued)

## (c) Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, 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).

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>At 31 December 2016</b>				
<b>Assets</b>				
Available-for-sale financial assets	34,823	938	1,044	36,805
Financial assets at fair value through profit or loss	3,603	—	—	3,603
<b>Total</b>	<b>38,426</b>	<b>938</b>	<b>1,044</b>	<b>40,408</b>
<b>At 31 December 2015</b>				
<b>Assets</b>				
Available-for-sale financial assets	287	928	1,380	2,595
Financial assets at fair value through profit or loss	307	—	—	307
<b>Total</b>	<b>594</b>	<b>928</b>	<b>1,380</b>	<b>2,902</b>

There were no transfers among different categories during the year.

The nominal value less impairment provisions of trade and other receivables and the nominal value of trade and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4 Critical Accounting Estimates and Assumptions

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (a) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
- (iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers.

##### (b) Provision 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 recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

The Group estimates property construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalised costs, such differences would affect the accuracy of costs of sales recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4 Critical Accounting Estimates and Assumptions (Continued)****(c) PRC corporate income taxes and deferred taxation**

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Judgement is required in determining the provision for income tax and withholding tax on unremitted earnings of PRC subsidiaries. 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 (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

**(d) PRC land appreciation taxes**

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised these 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 income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**5 Segment Information**

The chief operating decision-maker (“CODM”) of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses. Other businesses mainly include property construction, hotel operations, finance business, internet business, health industry business and fast consuming products business (including production and sales of spring water, grain and edible oil, and dairy). The fast consuming products business has been disposed of at an aggregate consideration of RMB2,700 million in 2016. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group’s assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Fair value gain on financial assets at fair value through profit or loss, dividend income of available-for-sale financial assets, gain or loss on disposal of available-for-sale financial assets and finance cost and income are not included in the result for each operating segment.

Revenue for the year ended 31 December 2016 consists of sales of properties, rental income of investment properties, income from property management services and income from other businesses, which are set out below:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Sales of properties	203,890	126,449
Rental income of investment properties	647	241
Property management services	1,948	1,318
Other businesses	4,959	5,122
	<b>211,444</b>	<b>133,130</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 Segment Information (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2016 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	203,890	762	3,698	19,625	227,975
Inter-segment revenue	—	(115)	(1,750)	(14,666)	(16,531)
Revenue	203,890	647	1,948	4,959	211,444
Share of post-tax profit of associates	(9)	—	—	639	630
Share of post-tax loss of joint ventures	(31)	—	—	(802)	(833)
Gain on disposal of subsidiaries	289	—	—	6,323	6,612
Segment results	38,849	5,406	362	3,240	47,857
Fair value gain on financial assets at fair value through profit or loss					141
Dividend income of financial assets at fair value through profit or loss					139
Gain on disposal of available-for-sale financial assets					26
Finance costs					(11,301)
Profit before income tax					36,862
Income tax expenses					(19,245)
Profit for the year					17,617
Depreciation and amortisation	1,048	—	6	910	1,964
Fair value gains on investment properties	—	5,124	—	—	5,124

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 Segment Information (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2015 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	126,449	325	3,255	18,186	148,215
Inter-segment revenue	—	(84)	(1,937)	(13,064)	(15,085)
Revenue	126,449	241	1,318	5,122	133,130
Share of post-tax profit of associates	174	—	—	—	174
Share of post-tax loss of joint ventures	14	—	—	(580)	(566)
Segment results	22,928	13,072	39	(4,481)	31,558
Fair value gain on financial assets at fair value through profit or loss					2,515
Dividend income of available-for-sale financial assets					43
Gain on disposal of available-for-sale financial assets					323
Finance costs					(2,994)
Profit before income tax					31,445
Income tax expenses					(14,105)
Profit for the year					17,340
Depreciation and amortisation	757	—	8	689	1,454
Fair value gains on investment properties	—	12,859	—	—	12,859

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

Segment assets and liabilities as at 31 December 2016 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,096,147	132,045	2,135	68,432	1,298,759
Unallocated assets					52,109
Total assets					1,350,868
Segment assets include:					
Interest in associates	196	—	—	10,524	10,720
Interest in joint ventures	259	—	—	13,395	13,654
Segment liabilities	506,297	—	2,006	40,917	549,220
Unallocated liabilities					609,116
Total liabilities					1,158,336
Capital expenditure	2,064	32,430	16	5,246	39,756

Segment assets and liabilities as at 31 December 2015 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	622,060	97,146	1,193	26,851	747,250
Unallocated assets					9,785
Total assets					757,035
Segment assets include:					
Interest in associates	154	—	—	—	154
Interest in joint ventures	634	—	—	7,792	8,426
Segment liabilities	265,110	—	969	10,772	276,851
Unallocated liabilities					338,042
Total liabilities					614,893
Capital expenditure	1,995	23,025	8	1,531	26,559



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**5 Segment Information (Continued)**

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets, income tax recoverable, available-for-sale financial assets and financial assets at fair value through profit or loss.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights and intangible assets.

Reportable segments' assets are reconciled to total assets as follows:

	<b>31 December 2016</b>	2015
	RMB million	RMB million
Segment assets	1,298,759	747,250
Unallocated:		
Income tax recoverable	7,665	4,131
Deferred income tax assets	4,036	2,752
Available-for-sale financial assets	36,805	2,595
Financial assets at fair value through profit or loss	3,603	307
<b>Total assets per consolidated balance sheet</b>	<b>1,350,868</b>	<b>757,035</b>

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>31 December 2016</b>	2015
	RMB million	RMB million
Segment liabilities	549,220	276,851
Unallocated:		
Current income tax liabilities	35,622	23,567
Deferred income tax liabilities	38,424	17,569
Borrowings	535,070	296,906
<b>Total liabilities per consolidated balance sheet</b>	<b>1,158,336</b>	<b>614,893</b>

No material revenues are derived from any single external customer (2015: none).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 Property, Plant and Equipment

	Buildings RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2015						
Opening net book amount	6,051	305	744	2,693	5,711	15,504
Additions	69	153	103	779	1,168	2,272
Acquisition of subsidiaries	701	21	11	127	—	860
Transfers	1,984	457	—	204	(2,645)	—
Disposals	(244)	(21)	(17)	(356)	—	(638)
Depreciation	(553)	(69)	(163)	(493)	—	(1,278)
Closing net book amount	8,008	846	678	2,954	4,234	16,720
At 31 December 2015						
Cost	9,395	1,015	1,400	4,598	4,234	20,642
Accumulated depreciation	(1,387)	(169)	(722)	(1,644)	—	(3,922)
Net book amount	8,008	846	678	2,954	4,234	16,720
Year ended 31 December 2016						
Opening net book amount	8,008	846	678	2,954	4,234	16,720
Additions	784	516	484	651	2,741	5,176
Acquisition of subsidiaries (note 39)	1,443	26	24	47	33	1,573
Transfers	1,470	25	—	513	(2,008)	—
Transfer from investment properties	1,310	—	—	—	—	1,310
Disposal of subsidiaries	(661)	(682)	(19)	(94)	(340)	(1,796)
Disposals	(323)	(3)	(5)	(185)	—	(516)
Depreciation	(703)	(150)	(205)	(576)	—	(1,634)
Closing net book amount	11,328	578	957	3,310	4,660	20,833
At 31 December 2016						
Cost	13,123	710	1,832	5,464	4,660	25,789
Accumulated depreciation	(1,795)	(132)	(875)	(2,154)	—	(4,956)
Net book amount	11,328	578	957	3,310	4,660	20,833

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**6 Property, Plant and Equipment (Continued)**

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Cost of sales	617	436
Selling and marketing costs	296	166
Administrative expenses	721	676
	<b>1,634</b>	<b>1,278</b>

During the year ended 31 December 2016, the Group capitalised borrowing costs amounting to RMB280 million (2015: RMB609 million) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 8.27% (2015: 9.59%).

As at 31 December 2016, property, plant and equipment of RMB7,633 million (2015: RMB8,350 million) were pledged as collateral for the Group's bank borrowings (note 22).

**7 Land Use Rights**

Land use rights are related to properties outside Hong Kong, held on leases of over 40 years:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Opening net book amount	3,625	3,388
Additions	2,094	182
Acquisition of subsidiaries (note 39)	59	132
Disposal	(38)	—
Disposal of subsidiaries	(193)	—
Amortisation	(146)	(77)
Closing net book amount	<b>5,401</b>	<b>3,625</b>

Land use rights comprise cost of acquiring rights to use certain land, which are principally located in the PRC, for hotel buildings and self-use buildings over fixed periods.

As at 31 December 2016, land use rights of RMB698 million (2015: RMB2,408 million) were pledged as collateral for the Group's bank borrowings (note 22).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 Investment Properties

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Opening net book amount	97,146	61,857
Additions	15,696	22,103
Acquisition of subsidiaries (note 39)	16,734	922
Disposals	(2,007)	(595)
Disposal of a subsidiary	(185)	—
Transfer to property, plant and equipment	(1,310)	—
Fair value gains on investment properties	5,124	12,859
Currency translation differences	847	—
Closing net book amount	132,045	97,146
Comprise of:		
Completed	108,145	64,400
Under construction	23,900	32,746

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: nil).

As at 31 December 2016, investment properties of RMB13,052 million (2015: RMB4,711 million) were pledged as collateral for the Group's borrowings (note 22).

Borrowing costs of RMB2,235 million (2015: RMB1,652 million) have been capitalised in investment properties under construction for the year ended 31 December 2016. The capitalisation rate of borrowing costs for the year ended 31 December 2016 was 8.27% (2015: 9.59%).

### (a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by CB Richard Ellis Limited ("CBRE"), an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

### (b) Valuation techniques

Valuations were based on either:

- (i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.
- (ii) income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 Investment Properties (Continued)

## (b) Valuation techniques (Continued)

- (iii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer’s profits, as well as land acquisition costs.

There were no changes to the valuation techniques during the year.

## (c) Information about fair value measurements using significant unobservable inputs (level 3)

	Property Category	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	9,905	Income capitalisation	Terminal yield	4.00%–6.50%
				Reversionary yield	4.00%–6.50%
				Capitalisation rate	4.00%–7.00%
				Expected vacancy rate	0.00%–15.00%
				Monthly rental (RMB/square meter/month)	21–660
		52,865	Direct comparison	Market price (RMB/square meter)	3,356–144,633
	Car park	45,375	Direct comparison	Market price (RMB/per car park)	65,000–530,000
Investment properties under construction	Commercial properties	14,887	Residual method	Market price (RMB/square meter)	5,500–40,500
				Budgeted cost (RMB/square meter)	1,233–7,610
				Anticipated developer’s profit margin	5.00%–25.00%
	Car park	9,013	Residual method	Market price (RMB/per car park)	99,000–363,100
				Budgeted cost (RMB/square meter)	510–2,562
				Anticipated developer’s profit margin	2.00%–15.00%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 Investment Properties (Continued)

### (c) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

	Property Category	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	6,831	Income capitalisation	Terminal yield	4.00%–5.50%
				Reversionary yield	4.00%–5.50%
				Capitalisation rate	4.00%–7.00%
				Expected vacancy rate	0–10.00%
				Monthly rental (RMB/square meter/month)	42–660
				Market price (RMB/square meter)	6,970–77,500
	Car park	32,234	Direct comparison	Market price (RMB/per car park)	84,300–391,000
Investment properties under construction	Commercial properties	18,002	Residual method	Market price (RMB/square meter)	5,360–26,532
				Budgeted cost (RMB/square meter)	100–6,038
				Anticipated developer's profit margin	2.00%–30.00%
	Car park	14,744	Residual method	Market price (RMB/per car park)	91,230–288,000
				Budgeted cost (RMB/square meter)	100–2,754
				Anticipated developer's profit margin	2.00%–20.00%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 Investment Properties (Continued)

(c) Information about fair value measurements using significant unobservable inputs (level 3)  
(Continued)

Relationship of unobservable inputs to fair value:

- The higher terminal and reversionary yield, the lower fair value;
- The higher capitalisation rate, the lower fair value;
- The higher expected vacancy, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

## (d) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Rental income	647	241
Direct operating expenses arising from investment properties that generate rental income	(130)	(28)

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Not later than one year	383	236
Later than one year and not later than five years	842	632
Later than five years	597	525
	1,822	1,393

During the years ended 31 December 2016 and 2015, the investment properties are mainly located in the PRC and have lease periods less than 20 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Properties Under Development

	<b>31 December 2016</b>	2015
	RMB million	RMB million
Properties under development expected to be completed:		
– Within one operating cycle included under current assets	577,851	329,610
– Beyond one operating cycle included under non-current assets	–	248
	<b>577,851</b>	<b>329,858</b>
Properties under development comprise:		
– Construction costs and capitalised expenditures	210,437	118,649
– Interests capitalised	47,651	26,889
– Land use rights	319,763	184,320
	<b>577,851</b>	<b>329,858</b>

The properties under development include costs of acquiring rights to use certain lands, which are located in the PRC, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

As at 31 December 2016, properties under development of approximately RMB226,804 million (2015: RMB119,005 million) were pledged as collateral for the Group's borrowings (note 22).

The capitalisation rate of borrowing costs for the year ended 31 December 2016 is 8.27% (2015: 9.59%).

### 10 Completed Properties Held for Sale

All completed properties held for sale are located in the PRC.

As at 31 December 2016, completed properties held for sale of approximately RMB26,992 million (2015: RMB12,187 million) were pledged as collateral for the Group's borrowings (note 22).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 Trade and Other Receivables

	31 December	
	2016	2015
	RMB million	RMB million
Trade receivables — third parties (note (a))	24,986	19,659
Other receivables:	60,790	12,779
— associates (note (b), note 37)	433	575
— joint ventures (note (b), note 37)	1,609	1,687
— non-controlling interests (note (b))	4,235	1,284
— loans to third parties facilitated through internet finance platform (note (c))	26,704	—
— other amounts due from third parties (note (d))	27,809	9,233
	85,776	32,438
Less: non-current portion	(9,342)	(10,730)
Trade receivables — third parties (note (a))	(9,342)	(10,327)
Other receivables — third parties	—	(403)
Current portion	76,434	21,708

As at 31 December 2016 and 2015, the fair value of trade and other receivables approximated their carrying amounts.

- (a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables as at the respective balance sheet dates is as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Within 90 days	4,344	9,242
Over 90 days and within 180 days	3,573	122
Over 180 days and within 365 days	6,236	5,662
Over 365 days	10,833	4,633
	24,986	19,659

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Trade and Other Receivables (Continued)

As at 31 December 2016, trade receivables of RMB601 million (31 December 2015: RMB663 million) were past due but not impaired. These accounts are mainly related to a number of customers who did not have a recent history of default, and the Group normally holds collateral of the properties before collection of the outstanding balances. The directors of the Company consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2016 (31 December 2015: nil). The ageing analysis of these trade receivables is as follows:

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
Within 90 days	199	306
Over 90 days and within 180 days	118	132
Over 180 days and within 365 days	57	142
Over 365 days	227	83
	<b>601</b>	663

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

The carrying amounts of the Group's trade and other receivables are denominated in RMB.

- (b) Amounts are unsecured, interest free and repayable on demand.
- (c) Amounts represented loans to certain third parties which were facilitated through the internet finance platform.
- (d) Amounts mainly represented the deposits for construction projects and receivables of disposal of subsidiaries.

### 12 Prepayments

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
Prepaid business taxes and other taxes	5,816	3,647
Prepayments and advances to third parties:	59,685	34,528
— for acquisition of land use rights	51,988	28,689
— for acquisition of subsidiaries	2,535	2,820
— others	5,162	3,019
	<b>65,501</b>	38,175
Less: non-current portion		
— prepayment for acquisition of property, plant and equipment	(2,754)	(1,038)
	<b>62,747</b>	37,137

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13 Investments Accounted for Using Equity Method

	31 December	
	2016	2015
	RMB million	RMB million
Associates	10,684	154
Joint ventures	13,690	8,426
	<b>24,374</b>	<b>8,580</b>

The amounts recognised in the income statement are as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Share of profit of associates	630	174
Share of loss of joint ventures	(833)	(566)
	<b>(203)</b>	<b>(392)</b>

## Investments in associates

The movements of the investments in associates is as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Balance as at 1 January	154	29
Additions (note a)	10,038	136
Disposals	(75)	(185)
Share of post-tax profit of associates	630	174
Other comprehensive income	(63)	—
Balance as at 31 December	<b>10,684</b>	<b>154</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investments in associates (Continued)

Note (a): During the year ended 31 December 2016, the Group acquired 1,001,680,000 domestic shares of Shengjing Bank Co., Ltd (“Shengjing Bank”), a Hong Kong listed company, which represented approximately 17.28% of the issued shares of Shengjing Bank, at an aggregate consideration of RMB9,938 million.

Shengjing Bank is principally engaged in banking services in the PRC including provision of corporate and personal deposits, loans and advances, settlement, treasury businesses and etc.

Set out below is the summarised financial information of Shengjing Bank as at 31 December 2016, which, in the opinion of the directors of the Company, is material to the Group.

#### Summarised balance sheet

	31 December 2016 RMB million
<b>Assets</b>	
Financial assets	71,376
Other assets	841,552
<b>Total assets</b>	<b>912,928</b>
Financial liabilities	843,955
Other liabilities	15,153
<b>Total liabilities</b>	<b>859,108</b>
<b>Net assets</b>	<b>53,820</b>

#### Summarised statement of comprehensive income

	For the period from acquisition day to 31 December 2016 RMB million
Interest income	18,642
Interest expenses	(11,910)
<b>Profit before tax</b>	<b>4,665</b>
Income tax credit	(966)
<b>Profit for the period</b>	<b>3,699</b>
<b>Other comprehensive loss</b>	<b>(384)</b>
<b>Total comprehensive income</b>	<b>3,315</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13 Investments Accounted for Using Equity Method (Continued)

## Investments in associates (Continued)

## Reconciliation of summarised financial information

	31 December 2016 RMB million
<b>Net assets as at 1 July 2016</b>	50,505
Profit for the period	3,699
Other comprehensive loss	(384)
<b>Net assets as at 31 December 2016</b>	53,820
Interest in the associate	9,300
Goodwill	1,210
<b>Carrying value</b>	10,510

There are no contingent liabilities or commitment relating to the Group's interest in the associates.

## Investments in joint ventures

The movements of the interests in joint ventures are as follows:

	Year ended 31 December	
	2016 RMB million	2015 RMB million
Balance as at 1 January	8,426	1,033
Additions (note a)	9,227	7,959
Disposals	(505)	—
Share of post-tax loss of joint ventures	(833)	(566)
Other comprehensive loss	(2,625)	—
<b>Balance as at 31 December</b>	<b>13,690</b>	8,426

Note (a): The Group acquired 50% equity interest of Great Eastern Life Assurance (China) Co., Ltd. on 1 November 2015, which subsequently changed its name as Evergrande Life Insurance Co., Ltd. ("Evergrande Life Insurance"), at a consideration of RMB3,939 million. Evergrande Life Insurance is engaged in insurance business, including life insurance, health insurance and etc.

The Group made additional capital injections of RMB3,000 million and RMB9,000 million to Evergrande Life Insurance in 2015 and 2016, respectively. Pursuant to the resolutions of shareholders' meeting of Evergrande Life Insurance, all shareholders agreed that the additional capital injections by the Group are only attributable to the Group and other shareholders will not share the capital surplus.

Set out below is the summarised financial information for Evergrande Life Insurance as at 31 December 2016, which, in the opinion of the directors of the Company, is material to the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investments in joint ventures (Continued)

##### Summarised balance sheet

	31 December	
	2016	2015
	RMB million	RMB million
Cash and cash equivalents	5,075	3,442
Other assets	74,186	22,348
<b>Total assets</b>	<b>79,261</b>	<b>25,790</b>
Financial liabilities (excluding insurance liabilities)	250	294
Other liabilities (including insurance liabilities)	64,102	16,543
<b>Total liabilities</b>	<b>64,352</b>	<b>16,837</b>
<b>Net assets</b>	<b>14,909</b>	<b>8,953</b>

##### Summarised statement of comprehensive income

	For the period from acquisition day to	
	Year ended 31 December 2016	31 December 2015
	RMB million	RMB million
Revenue	9,201	340
Depreciation and amortisation	(12)	(10)
Interest expenses	(2,023)	(5)
<b>Loss before tax</b>	<b>(405)</b>	<b>(234)</b>
Income tax credit	—	59
<b>Loss for the year/period</b>	<b>(405)</b>	<b>(175)</b>
<b>Other comprehensive (loss)/income</b>	<b>(2,639)</b>	<b>8</b>
<b>Total comprehensive loss</b>	<b>(3,044)</b>	<b>(167)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13 Investments Accounted for Using Equity Method (Continued)

## Investment in joint ventures (Continued)

## Reconciliation of summarised financial information

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
<b>Net assets as at 1 January 2016/1 November 2015</b>	<b>8,953</b>	<b>6,120</b>
Loss for the year/period (note b)	(405)	(175)
Other comprehensive (loss)/income (note b)	(2,639)	8
Capital injected by and attributable to the Group	9,000	3,000
<b>Net assets as at 31 December</b>	<b>14,909</b>	<b>8,953</b>
Interest in the Joint Venture	12,053	5,977
Goodwill	879	879
<b>Carrying value</b>	<b>12,932</b>	<b>6,856</b>

Note (b): For the year ended 31 December 2016, the accumulated losses of Evergrande Life Insurance have exceeded its share capital, all the excess losses have been picked up by the Group because Evergrande Life Insurance's capital surplus is all attributable to the Group.

## 14 Available-For-Sale Financial Assets

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
At 1 January	2,595	123
Acquisition of subsidiaries	—	282
Additions	47,060	4,824
Disposals	(8,798)	(2,683)
Net (losses)/gains recognised in equity	(4,052)	49
<b>At 31 December</b>	<b>36,805</b>	<b>2,595</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Available-For-Sale Financial Assets (Continued)

Available-for-sale financial assets include the following:

	31 December	
	2016	2015
	RMB million	RMB million
Listed equity securities	34,823	287
— China Vanke Co., Ltd. (“Vanke”) (note a)	31,918	—
— Other listed equity securities	2,905	287
Unlisted fund investments	969	928
Unlisted equity securities	1,013	1,230
Unlisted debt securities	—	150
	<b>36,805</b>	<b>2,595</b>

Note (a): The Group invested in 1,553,210,974 A shares of Vanke, representing approximately 14.07% of the issued share capital of Vanke.

The Group intended to hold the investment in Vanke for long-term investment purpose. The Group had no right to nominate any director of Vanke as at 31 December 2016 pursuant to the time requirement of nomination of new directors set out in the articles of association of Vanke, and the Group had no other means to exercise any significant influence over Vanke as an associate. Therefore it was accounted for as an available-for-sale financial asset.

On 16 March 2017, the Group entered into a strategic cooperation framework agreement with Shenzhen Metro Group, pursuant to which the Group has irrevocably entrusted the voting rights of 14.07% of the share capital of Vanke to Shenzhen Metro Group for a period of one year.

As at 31 December 2016, available-for-sale financial assets are denominated in RMB and USD.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31 December 2016 (2015: nil).

### 15 Financial Assets at Fair Value Through Profit or Loss

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
As at 1 January	307	10,950
Acquisition of subsidiaries	—	46
Additions	4,679	2,367
Disposals	(1,524)	(15,571)
Fair value gains	141	2,515
As at 31 December	<b>3,603</b>	<b>307</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**15 Financial Assets at Fair Value Through Profit or Loss (Continued)**

As at 31 December 2016, financial assets at fair value through profit or loss represented the Group's equity investments in certain companies listed on the China A-share and the Main Board of the Stock Exchange (2015: in certain companies listed on the Main Board of the Stock Exchange), which are quoted in an active market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Fair value gain on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income.

The fair value of all equity securities is based on their quoted prices as of 31 December 2016 and 2015 in active markets.

**16 Financial Instruments by Category****Assets as per consolidated balance sheet**

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
<b>Loans and receivables</b>		
Trade and other receivables	85,776	32,438
Restricted cash	105,909	60,932
Cash and cash equivalents	198,420	103,090
	<b>390,105</b>	196,460
<b>Financial assets at fair value through profit or loss</b>	<b>3,603</b>	307
<b>Available-for-sale financial assets</b>	<b>36,805</b>	2,595
	<b>430,513</b>	199,362

**Liabilities as per consolidated balance sheet**

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
<b>Other financial liabilities at amortised cost</b>		
Borrowings	535,070	296,906
Trade and other payables excluding other taxes and payroll payable	351,572	190,470
	<b>886,642</b>	487,376

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17 Restricted Cash

The restricted cash is denominated in the following currencies:

	<b>31 December 2016</b>	2015
	RMB million	RMB million
— Denominated in RMB	105,908	60,627
— Denominated in other currencies	1	305
	<b>105,909</b>	<b>60,932</b>

The conversion of the RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2016 and 2015, the Group's restricted cash mainly comprised of guarantee deposits for construction of projects, guarantee deposits for bank acceptance notes and loans, and guarantee deposits for land acquisitions.

## 18 Cash and Cash Equivalents

	<b>31 December 2016</b>	2015
	RMB million	RMB million
Cash at bank and in hand:		
— Denominated in RMB	189,918	88,428
— Denominated in other currencies	8,502	14,662
	<b>198,420</b>	<b>103,090</b>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 Share Capital and Premium

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary share RMB million	Share premium RMB million	Total RMB million
As at 1 January 2015	14,589,060,900	145,890,609	1,021	—	1,021
Issuance of shares pursuant to the option scheme	312,682,000	3,126,820	19	957	976
Proceeds from shares placement	820,000,000	8,200,000	50	3,580	3,630
Repurchase of shares	(1,923,313,000)	(19,233,130)	(119)	(4,537)	(4,656)
As at 31 December 2015	13,798,429,900	137,984,299	971	—	971
As at 1 January 2016	13,798,429,900	137,984,299	971	—	971
Issuance of shares pursuant to the option scheme	24,123,000	241,230	2	73	75
Repurchase of shares (note a)	(127,665,000)	(1,276,650)	(9)	(31)	(40)
As at 31 December 2016	13,694,887,900	136,948,879	964	42	1,006

- (a) During the year ended 31 December 2016, the Company repurchased an aggregate of 127,665,000 shares of its own shares through the Stock Exchange, at a consideration of HK\$822 million (equivalent to approximately RMB690 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Reserves

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserves RMB million	Total RMB million
Balance at 1 January 2015	(986)	952	5,436	332	115	—	5,849
Revaluation of available-for-sale financial assets, net of tax	—	30	—	—	—	—	30
Retained earnings appropriated to statutory reserves	—	—	1,851	—	—	—	1,851
Issuance of shares pursuant to the option scheme	—	—	—	(268)	—	—	(268)
Employee share option scheme (note (c))	—	—	—	112	—	—	112
Repurchase of shares	—	—	—	—	119	—	119
Changes in ownership interests in subsidiaries without change of control	—	(56)	—	—	—	—	(56)
Balance at 31 December 2015	(986)	926	7,287	176	234	—	7,637
Revaluation of available-for-sale financial assets, net of tax	—	(3,039)	—	—	—	—	(3,039)
Retained earnings appropriated to statutory reserves	—	—	3,073	—	—	—	3,073
Changes in ownership interests in subsidiaries without change of control	—	(1,194)	—	—	—	—	(1,194)
Issuance of shares pursuant to the option scheme	—	—	—	(17)	—	—	(17)
Employee share option scheme (note (c))	—	—	—	79	—	—	79
Issuance of shares pursuant to the Bonus Warrants	—	—	—	90	—	—	90
Repurchase of shares	—	—	—	—	9	—	9
Share of other comprehensive income of investments accounted for using the equity method	—	(2,688)	—	—	—	—	(2,688)
Currency translation differences	—	—	—	—	—	835	835
Disposal of subsidiaries	—	(46)	—	—	—	—	(46)
Balance at 31 December 2016	(986)	(6,041)	10,360	328	243	835	4,739

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**20 Reserves (Continued)****(a) Merger reserve**

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange.

**(b) Statutory reserves**

Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

**(c) Employee share option reserve**

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 18 May 2010, 713,000,000 share options (the "2010 Options") were granted to directors and employees with an exercise price of HK\$2.4 per share. All the options granted will be exercisable within 5 years after vesting.

On 9 October 2014, 530,000,000 share options (the "2014 Options") were granted to directors and employees with an exercise price of HK\$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

	<b>Number of share options</b>
<b>Year ended 31 December 2015</b>	
Balance at 1 January 2015	896,685,000
Exercised during the year	(312,682,000)
Lapsed during the year	(57,430,000)
<hr/>	
Balance at 31 December 2015	526,573,000
<hr/>	
<b>Year ended 31 December 2016</b>	
Balance at 1 January 2016	526,573,000
Exercised during the year	(24,123,000)
Lapsed during the year	(17,800,000)
<hr/>	
Balance at 31 December 2016	484,650,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Reserves (Continued)

Particulars of share options as at 31 December 2016 and 2015 are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Number of outstanding shares as at 31 December	
				2016	2015
<b>2010 Options:</b>					
18 May 2010	55 Months	31 December 2014– 13 December 2019	HK\$2.4	50,090,000	59,362,000
<b>2014 Options:</b>					
9 October 2014	1 year	9 October 2015– 8 October 2020	HK\$3.05	69,160,000	77,451,000
9 October 2014	2 year	9 October 2016– 8 October 2021	HK\$3.05	90,000,000	97,440,000
9 October 2014	3 year	9 October 2017– 8 October 2022	HK\$3.05	91,800,000	97,440,000
9 October 2014	4 year	9 October 2018– 8 October 2023	HK\$3.05	91,800,000	97,440,000
9 October 2014	5 year	9 October 2019– 8 October 2024	HK\$3.05	91,800,000	97,440,000
				<b>484,650,000</b>	<b>526,573,000</b>

The weighted average fair value of all options granted was determined by reference to valuation prepared by an independent valuer, Real Actuarial Consulting Limited, using the Binomial Model.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**21 Perpetual Capital Instruments**

During the year ended 31 December 2016, the Company and certain wholly owned subsidiaries of the Company (the “issuers”) issued subordinated perpetual capital instruments with the aggregate net proceeds of RMB59,754 million (2015: RMB44,322 million).

The perpetual capital instruments issued by the Company are unsecured, the perpetual capital instruments issued by subsidiaries are jointly guaranteed by the Company and holding companies of these subsidiaries and secured by pledges of the shares of these subsidiaries. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Company, and there is no limit as to the number of times of deferral of distribution. The perpetual capital instruments are callable. When the issuers or the Company elects to declare dividends to their ordinary shareholders, the issuers shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

The average annual distribution rate is about 10% for the years ended 31 December 2016 and 2015.

Movement of the perpetual capital instruments is as follows:

	Principal	Distribution	Total
Balance as at 1 January 2015	49,754	3,098	52,852
Issuance of perpetual capital instruments by the Company	9,643	—	9,643
Issuance of perpetual capital instruments by subsidiaries	34,679	—	34,679
Redemption of perpetual capital instruments	(20,902)	—	(20,902)
Profit attributable to holders of perpetual capital instruments	—	5,088	5,088
Distribution to holders of perpetual capital instruments	—	(5,623)	(5,623)
Balance as at 31 December 2015	73,174	2,563	75,737
Issuance of perpetual capital instruments by subsidiaries	59,754	—	59,754
Redemption of perpetual capital instruments	(25,789)	—	(25,789)
Profit attributable to holders of perpetual capital instruments	—	10,646	10,646
Distribution to holders of perpetual capital instruments	—	(5,728)	(5,728)
Disposal of a subsidiary	(1,548)	(128)	(1,676)
Balance as at 31 December 2016	105,591	7,353	112,944

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 Borrowings

	31 December	
	2016	2015
	RMB million	RMB million
Borrowings included in non-current liabilities:		
Bank borrowings (note (g))	166,389	96,760
Senior notes	22,112	19,854
– Senior notes issued in 2011 (“2011 Senior Notes”) (note (a))	–	3,699
– Senior notes issued in 2013 (“2013 Senior Notes”) (note (b))	10,363	9,677
– Senior notes issued in 2015 (“2015 Senior Notes”) (note (c))	6,923	6,478
– Senior notes issued in 2016 (“2016 Senior Notes”) (note (d))	4,826	–
PRC corporate bonds (note (e))	53,761	39,549
Other borrowings (note (f))	168,066	78,535
	410,328	234,698
Less: current portion of non-current borrowings	(78,164)	(96,536)
	332,164	138,162
Borrowings included in current liabilities:		
Bank borrowings	88,757	29,939
Current portion of non-current borrowings	78,164	96,536
Other borrowings	35,985	32,269
	202,906	158,744
<b>Total borrowings</b>	<b>535,070</b>	<b>296,906</b>
The total borrowings are denominated in the following currencies:		
RMB	450,433	241,876
US dollar	74,452	47,798
HK dollar	4,081	7,187
EUR dollar	6,104	–
Others	–	45
	535,070	296,906



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**22 Borrowings (Continued)****(a) 2011 Senior Notes**

On 13 January 2011, the Company issued 9.25%, five-year senior notes with an aggregated principal amount of RMB3,700 million at 100% of the face value. The Company has repaid the 2011 Senior Notes in 2016.

**(b) 2013 Senior Notes**

On 31 October 2013, the Company issued 8.75%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,141 million) at 100% of the face value. On 13 November 2013, the Company further issued additional senior notes in the same terms with an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,071 million) at 100% of the face value.

**(c) 2015 Senior Notes**

On 17 February 2015, the Company issued 12.00%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,133 million) at 100% of the face value.

**(d) 2016 Senior Notes**

On 11 January 2016, the Company issued 7.80%, three-year senior notes with an aggregated principal amount of US\$400 million (equivalent to approximately RMB2,625 million) at 100% of the face value, and issued 8.00%, three-year senior notes with an aggregated principal amount of US\$300 million (equivalent to approximately RMB1,969 million) at 100% of the face value.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries as at 31 December 2016 were approximately RMB23,465 million (2015: RMB35,990 million).

**(e) PRC corporate bonds**

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year PRC corporate bonds ("PRC bonds") with an aggregated principal amount of RMB5,000 million at 100% of the face value.

On 7 July 2015, a subsidiary of the Company issued 5.30%, four-year PRC bonds with an aggregated principal amount of RMB6,800 million and 6.98%, seven-year PRC bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 16 October 2015, a subsidiary of the Company issued 7.38%, five-year PRC bonds with an aggregated principal amount of RMB17,500 million and 7.88%, five-year PRC bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 12 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value.

On 29 July 2016, a subsidiary of the Company issued 6.80%, three-year non-public PRC bonds with an aggregated principal amount of RMB4,200 million at 100% of the face value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 Borrowings (Continued)

## (f) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

As at 31 December 2016, the Group's other borrowings of RMB148,459 million (2015: RMB68,858 million) were secured by pledge of the Group's property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank, intangible assets, account receivables and equity interest of certain subsidiaries, totalling RMB150,431 million (2015: RMB71,799 million).

## (g) Bank borrowings

As at 31 December 2016, the Group's bank borrowings of RMB209,310 million (2015: RMB 109,064 million) were secured by pledge of the Group's property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank intangible asset, account receivables and equity interests of certain subsidiaries, totalling RMB241,976 million (2015: RMB152,614 million).

The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB million	6–12 months RMB million	1–5 years RMB million	Total RMB million
At 31 December 2016	140,378	112,653	206,166	459,197
At 31 December 2015	112,563	58,066	66,874	237,503

The maturity of the borrowings is as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Bank borrowings, other borrowings, senior notes and PRC bonds:		
Within 1 year	202,906	158,744
1–2 years	161,247	54,844
2–5 years	158,720	73,957
Over 5 years	12,197	9,361
	535,070	296,906

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**22 Borrowings (Continued)**

The effective interest rates were as follows:

	31 December 2016		31 December 2015	
	RMB million	Effective interest rate	RMB million	Effective interest rate
Bank and other borrowings	459,197	7.74%	237,503	7.98%
Senior notes	22,112	9.81%	19,854	10.18%
PRC bonds	53,761	7.04%	39,549	7.01%

The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2016		31 December 2015	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Bank and other borrowings	256,291	256,291	82,458	82,458
Senior notes	22,112	23,590	16,155	16,396
PRC bonds — public	19,852	20,310	19,549	21,038
PRC bonds — non-public	33,909	33,909	20,000	20,000

The fair value of the Group's bank borrowings, other borrowings and non-public PRC bonds approximates their carrying amounts at each of the balance sheet date for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

The fair values of senior notes as at 31 December 2016 are determined directly by references to the price quotations published by the Singapore Exchange Limited and The Hong Kong Exchanges and Clearing Limited on 31 December 2016, the last dealing date of 2016.

The fair value of the public PRC bonds at 31 December 2016 are determined directly by references to the price quotations published by The Shanghai Stock Exchange Limited and Shenzhen Stock Exchange Limited on 31 December 2016, the last dealing date of 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
Deferred income tax assets to be recovered within 12 months	(3,190)	(1,502)
Deferred income tax assets to be recovered after more than 12 months	(846)	(1,250)
<b>Deferred income tax assets</b>	<b>(4,036)</b>	<b>(2,752)</b>
Deferred income tax liabilities to be settled within 12 months	3,326	1,850
Deferred income tax liabilities to be settled after more than 12 months	35,098	15,719
<b>Deferred income tax liabilities</b>	<b>38,424</b>	<b>17,569</b>
	<b>34,388</b>	<b>14,817</b>

The net movements on the deferred taxation are as follows:

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
At 1 January	14,817	7,824
Acquisition of subsidiaries (note 39)	20,965	3,134
Tax charged relating to components of other comprehensive income	(1,013)	19
Disposal of subsidiaries	(187)	—
Recognised in income tax expenses (note 31)	(194)	3,840
<b>At 31 December</b>	<b>34,388</b>	<b>14,817</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 Deferred Income Tax (Continued)

Movements in gross deferred tax assets and liabilities are as follows:

## Deferred income tax assets

	Temporary difference on unrealised profit of intercompany transactions RMB million	Tax losses RMB million	Temporary difference on recognition of cost of sales and expenses RMB million	Revaluation of available-for- sale financial assets RMB million	Carrying amount of land use right smaller than the tax bases RMB million	Total RMB million
As at 1 January 2015	(348)	(1,878)	(221)	—	—	(2,447)
Acquisition of subsidiaries (Credited)/charged to the income tax expenses	— (255)	— 174	— (179)	—	(45)	(45) (260)
As at 31 December 2015	(603)	(1,704)	(400)	—	(45)	(2,752)
Acquisition of subsidiaries	—	—	—	—	(35)	(35)
Disposal of subsidiaries	—	584	—	—	—	584
Charged to other comprehensive income	—	—	—	(1,255)	—	(1,255)
Credited to the income tax expenses	(64)	(905)	(209)	—	—	(1,178)
As at 31 December 2016	(667)	(2,025)	(609)	(1,255)	(80)	(4,636)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB1,347 million (2015: RMB1,396 million) in respect of tax losses amounting to RMB5,388 million (2015: RMB5,582 million) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

Year	RMB million
2017	906
2018	1,057
2019	691
2020	622
2021	2,112
	5,388

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Deferred Income Tax (Continued)

#### Deferred income tax liabilities

	Excess of carrying amount of land use right and intangible asset over the tax bases RMB million	Temporary difference on recognition of fair value gain of investment properties RMB million	Withholding tax on profit to be distributed in future RMB million	Revaluation of available-for- sale financial assets RMB million	Total RMB million
As at 1 January 2015	329	9,530	412	—	10,271
Acquisition of subsidiaries	3,179	—	—	—	3,179
Charged to other comprehensive income	—	—	—	19	19
Charged to the income tax expenses	(347)	4,227	220	—	4,100
As at 31 December 2015	3,161	13,757	632	19	17,569
Acquisition of subsidiaries	21,000	—	—	—	21,000
Disposal of subsidiaries	(771)	—	—	—	(771)
Charged to other comprehensive income	—	—	—	242	242
Credited/(charged) to the income tax expenses	(774)	1,777	—	(19)	984
As at 31 December 2016	22,616	15,534	632	242	39,024

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 Trade and Other Payables

	31 December	
	2016	2015
	RMB million	RMB million
Trade payables		
— third parties	182,994	132,517
Other payables:	163,809	54,465
— associates (note 37(c))	450	701
— joint ventures (note 37(c))	325	598
— non-controlling interests (note (a))	6,052	5,279
— advance from investors of subsidiaries (note (b))	44,250	—
— unit holders of consolidated investment entities (note (c))	5,093	1,760
— holders of internet finance business products	27,990	—
— acquisition of land use rights	36,291	13,674
— acquisition of subsidiaries	28,691	16,267
— acquisition of a joint venture	—	2,157
— third parties (note (d))	14,667	14,029
Accrued expenses	4,769	3,488
Payroll payable	1,555	1,498
Other taxes payable	1,132	1,822
	354,259	193,790
Less: non-current portion		
Other payables:	(54,354)	(2,481)
— non-controlling interests (note (a))	(871)	(594)
— advance from investors of subsidiaries (note (b))	(44,250)	—
— unit holders of consolidated investment entities (note (c))	(4,643)	(1,760)
— acquisition of subsidiaries	(4,579)	—
— third parties	(11)	(127)
Current portion	299,905	191,309

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 Trade and Other Payables (Continued)

- (a) Amounts included certain cash advances from non-controlling interests of approximately RMB339 million (2015: RMB527 million) which bear average interest at 12% per annum (2015: 12%) and are repayable according to respective agreements.
- (b) On 30 December 2016, Guangzhou Kailong Real Estate Company Limited (“Kailong Real Estate”, a wholly-owned subsidiary of the Group) and Hengda Real Estate Group Company Limited (“Hengda Real Estate”, the wholly-owned subsidiary of Kailong Real Estate) entered into investment agreement with certain investors, pursuant to which the investors have agreed to subscribe the new capital of Hengda Real Estate at an aggregate consideration of RMB30,000 million with a put option that the investors can request Kailong Real Estate to repurchase the equity interest held by the investors at their original investment costs if the Proposed Reorganisation (note 41) cannot be completed by 31 January 2020. Up to 31 December 2016, part of the consideration of RMB13,000 million has been received by the Group and was classified as other payables – non-current portion.

During the year, the Group received cash advances totalling RMB31,250 million from an investor for cooperation in certain property development projects of the Group. As at 31 December 2016, the cooperation arrangements in the projects were yet to be finalised, the cash advanced by the investor was classified as other payables – non-current portion.

- (c) Amounts represented cash advances from the unit holders of consolidated investment entities of approximately RMB5,093 million (2015: RMB1,760 million) which bear average interest rate at 7.8% per annum (2015: 9.6%) and are repayable in 2019.
- (d) Amounts mainly represented deposits and temporary receipts.

The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

	<b>31 December 2016</b>	2015
	RMB million	RMB million
Within one year	162,756	119,488
Over one year	20,238	13,029
	<b>182,994</b>	132,517

The trade and other payables are denominated in the following currencies:

	<b>31 December 2016</b>	2015
	RMB million	RMB million
– Denominated in RMB	345,390	180,409
– Denominated in other currencies	8,869	13,381
	<b>354,259</b>	193,790



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**25 Current Income Tax Liabilities**

The current income tax liabilities are analysed as follows:

	<b>31 December</b>	
	<b>2016</b>	2015
	RMB million	RMB million
Income tax payables		
– PRC corporate income tax	16,292	10,037
– PRC land appreciation tax	19,330	13,530
	<b>35,622</b>	<b>23,567</b>

**26 Other Gains – Net**

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	RMB million	RMB million
Gain on disposal of subsidiaries (note a)	6,612	—
Gain on disposal of joint ventures and associates	348	—
Gain on disposal of available-for-sale financial assets	26	323
	<b>6,986</b>	<b>323</b>

- (a) During the year ended 31 December 2016, the Group disposed of the fast consuming products business at an aggregate consideration of RMB2,700 millions to independent third parties, and a disposal gain of approximately RMB6,319 million has been recognised in the consolidated comprehensive income statement.

**27 Other Income**

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	RMB million	RMB million
Interest income from bank deposits	2,728	1,007
Forfeited customer deposits	380	202
Gain on disposal of investment properties	371	185
Dividend income of financial assets at fair value through profit or loss	139	43
Others	1,319	825
	<b>4,937</b>	<b>2,262</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28 Expenses by Nature

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Cost of properties sold — including construction cost, land cost and interest cost	139,228	83,203
Business tax and other levies	7,682	7,518
Employee benefit expenditure — including directors' emoluments	13,292	11,127
Less: capitalised in properties under development, investment properties under construction and construction in progress	(4,596)	(3,450)
Employee benefit expenses (note 29)	8,696	7,677
Advertising expenses	9,065	7,952
Sales commissions	1,107	795
Depreciation	1,634	1,278
Amortisation	330	176
Auditors' remuneration	26	20
— Audit services	23	20
— Non-audit services	3	—
Operating lease expenses	481	250
Write-down of properties under development and completed properties held for sale	210	99
Donations	1,608	249

### 29 Employee Benefit Expenses

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Wages, salaries and bonus	10,767	8,796
Pension costs — statutory pension (note (a))	915	842
Staff welfare	1,123	1,023
Medical benefits	408	354
Employee share option schemes	79	112
	13,292	11,127
Less: capitalised in properties under development, investment properties under construction and construction in progress	(4,596)	(3,450)
	8,696	7,677

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**29 Employee Benefit Expenses (Continued)****(a) Pensions — defined contribution plans**

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Gross scheme contributions	915	842

**(b) Five highest paid individuals**

During the year ended 31 December 2016, the five highest paid individuals include 1 directors (2015: 5), whose emoluments are reflected in the analysis presented in note 42. The aggregate amounts of emoluments of the other four highest paid individuals for the year ended 31 December 2016 (2015: nil) are set out below:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Salaries and other benefits	97	—

The emoluments fell within the following bands:

	Year ended 31 December	
	2016	2015
HK\$20,000,000 to HK\$50,000,000	4	—

- (c) During the year ended 31 December 2016, no emolument was paid by the group entities to any of the above directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 Finance Costs

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
<b>Interest expenses</b>		
– Bank and other borrowings	(26,099)	(17,831)
– Senior notes	(1,974)	(1,539)
– PRC bonds	(3,595)	(925)
– Less: interest capitalised	26,339	20,295
	(5,329)	–
Exchange losses from borrowings	(4,909)	(2,842)
Less: exchange losses capitalised	–	655
	(4,909)	(2,187)
Other finance costs	(1,063)	(807)
	(11,301)	(2,994)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 Income Tax Expenses

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Current income tax		
– Hong Kong profit tax	15	1
– PRC corporate income tax	11,065	5,811
– PRC land appreciation tax	8,359	4,453
	19,439	10,265
Deferred income tax (note 23)		
– PRC corporate income tax	(659)	2,377
– PRC land appreciation tax	465	1,463
	19,245	14,105

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Profit before income tax	36,862	31,445
Add: Share of loss of investments in joint ventures and associates, net	203	392
	37,065	31,837
Calculated at PRC corporate income tax rate	9,266	7,959
PRC land appreciation tax deductible for PRC corporate income tax purposes	(2,206)	(1,479)
Income not subject to tax (note (a))	(50)	(587)
Expenses not deductible for tax purposes (note (b))	3,494	1,486
Utilisation of previously unrecognised tax losses	(1,143)	—
Tax losses for which no deferred income tax asset was recognised	528	590
Effect of different tax rates of subsidiaries	110	—
PRC corporate income tax	9,999	7,969
PRC withholding income tax	422	220
PRC land appreciation tax	8,824	5,916
	19,245	14,105

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 Income Tax Expenses (Continued)**

- (a) Income not subject to tax for the year ended 31 December 2016 mainly comprised fair value gain on financial assets at fair value through profit or loss.
- (b) Expenses not deductible for tax purpose for the year ended 31 December 2016 mainly comprised: (i) the cost of land premium without official invoices resulted from the land acquisitions through acquisitions of companies; and (ii) exchange losses and expenses incurred by offshore group companies.

**Overseas income tax**

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

**Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

**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 of 25% (2015: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

**PRC withholding income tax**

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

**PRC land appreciation tax**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 Earnings Per Share

## (a) Basic

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2016	2015
Profit attributable to shareholders of the Company (RMB million)	5,091	10,460
Weighted average number of ordinary shares in issue (millions)	13,683	14,667
Basic earnings per share (RMB)	0.372	0.713

## (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (RMB million)	5,091	10,460
Weighted average number of ordinary shares in issue (millions)	13,683	14,667
Adjustments for share options (millions)	210	217
Weighted average number of ordinary shares for diluted earnings per share (millions)	13,893	14,884
Diluted earnings per share (RMB)	0.366	0.703

## 33 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

A final dividend in respect of the year ended 31 December 2015 of RMB0.38 per share totaling RMB5,262 million was paid on 2 July 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34 Net Cash Generated from Operations

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Profit for the year	17,617	17,340
Adjustments for:		
Income tax expenses	19,245	14,105
Interest income from bank deposits (note 27)	(2,728)	(1,007)
Finance costs (note 30)	6,392	807
Exchange losses (note 30)	4,909	2,187
Depreciation (note 6)	1,634	1,278
Amortisation	330	176
Employee share option schemes (note 20)	79	112
Fair value gains on investment properties (note 8)	(5,124)	(12,859)
Fair value gains on financial assets at fair value through profit or loss (note 15)	(141)	(2,515)
Gain on disposal of investment properties (note 27)	(371)	(185)
(Gain)/loss on disposal of property, plant and equipment, and intangible assets	(18)	26
Gain on disposal of subsidiaries (note 26)	(6,612)	—
Share of loss of investments accounted for using equity method (note 13)	203	392
Gain on disposal of joint ventures and associates (note 26)	(348)	—
Gain on disposal of available-for-sales financial assets (note 26)	(26)	(323)
Dividend income on available-for-sale financial assets (note 27)	(139)	(43)
Changes in working capital:		
Properties under development and completed properties held for sale	(107,801)	(79,676)
Inventories	(158)	(733)
Restricted cash as guarantee for construction of projects and other operating activities	(33,679)	(7,877)
Trade and other receivables and prepayments	(61,310)	4,163
Trade and other payables and receipt in advance from customers	153,418	66,523
Net cash (used in)/generated from operations	(14,628)	1,891



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 35 Financial Guarantees

	31 December	
	2016	2015
	RMB million	RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	252,128	141,591
Guarantees for borrowings of cooperation parties (note (b))	6,056	3,448
	<b>258,184</b>	<b>145,039</b>

- (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 the financial guarantees measured at fair value is immaterial.

- (b) It represents guarantees provided to certain cooperation parties (mainly construction subcontractors) of the Group, who are independent third parties, to obtain borrowings after assessing the credit history of these cooperation parties. The Group closely monitors the repayment progress of the relevant borrowings by these cooperation parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

## 36 Commitments

## (a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Property, plant and equipment:		
Not later than one year	442	117
Later than one year and not later than five years	971	349
Later than five years	110	12
	<b>1,523</b>	<b>478</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 Commitments (Continued)

## (b) Commitments for property development and acquisition of subsidiaries

	31 December	
	2016	2015
	RMB million	RMB million
Contracted but not provided for		
— Property development activities	163,244	79,519
— Acquisition of land use rights	60,535	20,899
— Acquisition of subsidiaries	—	41,525
	<b>223,779</b>	<b>141,943</b>

## 37 Related Party Transactions

## (a) Name and relationship with related parties

Name	Relationship
許家印博士 Dr. Hui Ka Yan ("Dr. Hui")	The ultimate controlling shareholder and also the director of the Company
Shengjing Bank Co., Ltd. 盛京銀行股份有限公司	Associate of the Group
Jinan Xichuang Property Co., Ltd. 濟南西創置業有限公司	Associate of the Group
Jinan Xishi Property Co., Ltd. 濟南西實置業有限公司	Associate of the Group
Shanghai Shencheng Culture Investment Co., Ltd. 上海申城影視傳媒有限公司	Associate of the Group
Hunan Repulse Bay Xiangya Hot Spring Garden Co., Ltd. 湖南淺水灣湘雅溫泉花園有限公司	Associate of the Group
Guangzhou Evergrande Taobao Football Club Corp., Ltd. 廣州恒大淘寶足球俱樂部股份有限公司	Joint venture of the Group
Inner Mongolia Luqiao Property Co., Ltd. 內蒙古魯橋置業有限公司	Joint venture of the Group
Evergrande Life Insurance Co., Ltd. 恒大人壽保險有限公司	Joint venture of the Group
Jinan Evergrande Chengxi Property Co., Ltd. 濟南恒大城西置業有限公司	Joint venture of the Group

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 Related Party Transactions (Continued)

## (b) Transactions with related parties

Save as disclosed in note 11, 13, 24 and 38 (i), during the years ended 31 December 2016 and 2015, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
<b>Nature of transactions</b>		
<b>Associates</b>		
Sales of goods to associates	101	77
Provision of services to associates	16	—
Loan interest charged by an associate	10	—
	127	77
<b>Joint ventures</b>		
Sales of goods to joint ventures	39	—
Provision of services to a joint venture	36	23
Rental income from joint ventures	6	4
Advertisement service fees charged by joint ventures	267	39
Purchase of goods from a joint venture	10	77
Loan interest charged by a joint venture	222	—
	580	143

Aforementioned related party transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 Related Party Transactions (Continued)

## (c) Balances with related parties

As at 31 December 2016 and 2015, the Group had the following significant non-trade balances with related parties:

	31 December	
	2016	2015
	RMB million	RMB million
<b>Due from related parties (Note i)</b>		
Included in trade and other receivables:		
— Associates	433	575
— Joint ventures	1,609	1,687
	<b>2,042</b>	<b>2,262</b>
<b>Due to related parties (Note i)</b>		
Included in trade and other payables (note (i))		
— Associates	450	701
— Joint ventures	325	598
	<b>775</b>	<b>1,299</b>
Included in borrowings (note (ii))		
— A joint venture	2,700	—
— An associate	799	—
	<b>3,499</b>	<b>—</b>
Included in receipt in advance from customers		
— An associate	84	—

Note (i): The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

Note (ii): The balances are borrowings in nature, which are secured, carry interest at 10.02% per annum and repayable according to respective loan agreements.

During the year ended 31 December 2016, a subsidiary of the Group issued perpetual capital instruments with a principal amount of RMB300 million to a joint venture of the Group, the instruments carry annual distribution rate at 12.5%, the profit attributable to holder of perpetual capital instruments for the year is approximately RMB8 million.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 Related Party Transactions (Continued)

## (d) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Salaries and other employee benefits	654	318
Retirement scheme contributions	2	1
	656	319

## 38 Non-controlling Interests

	31 December	
	2016	2015
	RMB million	RMB million
At 1 January	15,399	8,406
Profit for the year	1,880	1,792
Capital injection (note (i))	16,882	624
Acquisition of subsidiaries — acquisition of asset (note (ii))	1,172	1,649
Acquisition of subsidiaries — acquisition of business	6,707	3,233
Changes in ownership interests in subsidiaries without change of control (note (iii))	(6,297)	(85)
Dividends	(219)	(220)
Disposal of subsidiaries	(254)	—
Issuance of shares pursuant to the Bonus Warrants	78	—
	35,348	15,399

- (i) During the year ended 31 December 2016, the Group and a joint venture of the Group entered into certain cooperation agreements in relation to the establishment of property development companies. These newly set-up property development companies are accounted for as subsidiaries of the Group as at 31 December 2016, and capital contribution from the joint venture of the Group was approximately RMB14,248 million.
- (ii) During the year ended 31 December 2016, the Group acquired controlling interests of certain property development companies in the PRC at consideration totaling approximately RMB6,324 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB1,172 million.
- (iii) During the year ended 31 December 2016, the Group acquired certain equity interests of certain subsidiaries from non-controlling shareholders, and the difference between consideration paid and the carrying amount of equity interest acquired, which amounted to RMB1,194 million, was recognised as a decrease in reserves.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 Business Combinations

During the year ended 31 December 2016, the Group acquired controlling interests of certain property development companies and other companies in the PRC and Hong Kong to increase its land reserve, optimize its regional layout and diversify its business.

## (i) Acquisition of subsidiaries from New World Development (China) Limited

During the year ended 31 December 2016, the Group acquired certain project development companies from New World Development (China) Limited at total considerations of RMB20,210 million.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	20,210
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	1,117
Property, plant and equipment	1,049
Land use rights	24
Investment properties	1,731
Deferred income tax assets	6
Inventories	4
Properties under development	29,891
Completed properties held for sale	872
Trade and other receivables	2,120
Prepayments	683
Borrowings	(1,264)
Trade and other payables	(4,877)
Receipt in advance from customers	(3,605)
Deferred income tax liabilities	(4,309)
Total identifiable net assets	23,442
Non-controlling interest	(3,232)
Identifiable net assets acquired	20,210
Goodwill	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**39 Business Combinations (Continued)****(ii) Acquisition of subsidiaries from Chow Tai Fook Enterprises Limited**

During the year ended 31 December 2016, the Group acquired certain project development companies from Chow Tai Fook Enterprises Limited at total considerations of RMB12,500 million.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	12,500
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	517
Property, plant and equipment	3
Deferred income tax assets	19
Properties under development	19,758
Trade and other receivables	1,533
Prepayments	88
Trade and other payables	(1,748)
Receipt in advance from customers	(883)
Deferred income tax liabilities	(6,641)
Total identifiable net assets	12,646
Non-controlling interest	(146)
Identifiable net assets acquired	12,500
Goodwill	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 Business Combinations (Continued)

## (iii) Acquisition of Pioneer Time Investment Limited

In January 2016, the Group acquired 100% equity interest of Pioneer Time Investment Limited, which is engaged in property investment in Hong Kong, at a consideration of RMB8,700 million.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	8,700
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Investment properties	9,651
Prepayments	5
Trade and other payables	(886)
Receipt in advance from customers	(54)
Current income tax liabilities	(2)
Deferred income tax liabilities	(14)
Total identifiable net assets	8,700
Non-controlling interest	—
Identifiable net assets acquired	8,700
Goodwill	—

## (iv) Other acquisitions

During the year ended 31 December 2016, except for the aforementioned companies, the Group also acquired certain property development companies at a total consideration of RMB22,029 million.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 Business Combinations (Continued)

## (iv) Other acquisitions (Continued)

The following table summarises the consideration paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	21,212
Fair value of investment in an associate held before business combination	817
<b>Total consideration</b>	<b>22,029</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	3,397
Property, plant and equipment	521
Land use rights	35
Intangible assets	102
Properties under development	90,630
Completed properties held for sale	3,884
Trade and other receivables	7,031
Prepayments	1,382
Investment properties	5,352
Deferred income tax assets	10
Other assets	811
Borrowings	(33,098)
Trade and other payables	(25,613)
Receipt in advance from customers	(18,527)
Current income tax liabilities	(1,526)
Deferred income tax liabilities	(10,036)
<b>Total identifiable net assets</b>	<b>24,355</b>
Non-controlling interest	(3,329)
<b>Identifiable net assets acquired</b>	<b>21,026</b>
<b>Goodwill</b>	<b>1,003</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Business Combinations (Continued)

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

	RMB million
Cash considerations	62,622
Prepaid in last year	(1,047)
Considerations deferred	(20,879)
Cash and cash equivalents acquired	(5,031)
<hr/>	
Payment for business combinations conducted in the year	35,665
Payment for business combinations conducted in prior year	8,455
<hr/>	
Cash outflow on acquisitions	44,120
<hr/>	

Acquisition-related costs of RMB13.5 million have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2016.

No contingent liability has been recognised for the business combination.

The acquired businesses contributed revenues of RMB10,328 million and net losses of RMB735 million to the Group for the period from the respective acquisition dates to 31 December 2016. If the acquisitions had occurred on 1 January 2016, consolidated revenue and consolidated profit for the year ended 31 December 2016 would have been RMB227,374 million and RMB16,491 million respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 40 Balance Sheet and Reserve Movements of the Company

## Balance sheet of the Company

	31 December 2016 RMB million	31 December 2015 RMB million
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	1,432	15,412
Property, plant and equipment	11	16
	1,443	15,428
<b>Current assets</b>		
Amounts due from subsidiaries	87,552	68,969
Other receivables	505	790
Restricted cash	—	304
Cash and cash equivalents	6,625	326
	94,682	70,389
<b>Total assets</b>	96,125	85,817
<b>EQUITY</b>		
<b>Capital and reserves attributable to shareholders of the Company</b>		
Share capital and premium	1,006	971
Other reserves	1,495	1,424
(Accumulated losses)/retained earnings	(108)	5,404
	2,393	7,799
Perpetual capital instruments	7,298	9,643
<b>Total equity</b>	9,691	17,442
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	25,612	16,155
<b>Current liabilities</b>		
Borrowings	34,794	35,094
Amounts due to subsidiaries	24,570	16,304
Other payables	1,458	822
	60,822	52,220
<b>Total liabilities</b>	86,434	68,375
<b>Total equity and liabilities</b>	96,125	85,817

The balance sheet of the Company was approved by the Board on 28 March 2017 and was signed on its behalf.

Hui Ka Yan  
Director

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Pan Darong  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 40 Balance Sheet and Reserve Movements of the Company (Continued)

## Reserve movement of the Company

	Other reserves RMB million	Retained earnings RMB million
At 1 January 2015	1,461	12,232
Profit for the year	—	3,633
Dividends	—	(6,732)
Issuance of shares pursuant to the option scheme	(268)	—
Employee share option schemes	112	—
Repurchase of shares	119	(3,729)
<b>At 31 December 2015</b>	<b>1,424</b>	<b>5,404</b>
At 1 January 2016	1,424	5,404
Profit for the year	—	1,369
Dividends	—	(5,262)
Issuance of shares pursuant to the option scheme	(17)	—
Employee share option schemes	79	—
Repurchase of shares	9	(659)
Distribution to holders of perpetual capital instruments	—	(960)
<b>At 31 December 2016</b>	<b>1,495</b>	<b>(108)</b>

## 41 Subsequent Events

On 3 October 2016, Guangzhou Kailong Real Estate and Hengda Real Estate, both are wholly-owned subsidiaries of the Group, entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. ("Shenzhen Real Estate", a company listed on the Shenzhen Stock Exchange) and Shenzhen Investment Holding Co. Ltd. Pursuant to the agreement, the four parties agreed to work towards entering into a reorganisation agreement under which Shenzhen Real Estate will acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration to Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate thereby enabling the Company to effectively list the real estate related business of the Group on the Shenzhen Stock Exchange (the "Proposed Reorganisation"). The Proposed Reorganisation constitutes a spin-off under Practice Note 15 of the Listing Rules and would require the approval of the Stock Exchange. On 24 January 2017, the Company received the in-principle approval from the Stock Exchange in respect of the proposed spin-off.

On 17 March 2017, the Company issued 7.0%, three-year senior notes with an aggregated principal amount of US\$500 million at the face value and 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million at the face value.

On 24 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million at the face value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 42 Benefits and Interests of Directors

## (a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the year ended 31 December 2016 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	251	—	—	—	251
Mr. Xia Haijun ( <i>Chief executive</i> )	251	252,476	16	17,456	270,199
Mr. Tse Wai Wah (note (a))	311	6,348	12	1,047	7,718
Mr. Pan Da Rong (note (b))	142	8,831	40	—	9,013
Mr. Xu Wen	240	8,596	49	1,396	10,281
Ms. He Miaoling	240	13,628	—	1,746	15,614
Mr. Andrew Huang	251	4,817	16	873	5,957
Mr. Chau Shing Yim David	690	—	—	175	865
Mr. He Qi	360	—	—	175	535
Ms. Xie Hongxi	360	—	—	175	535
	3,096	294,696	133	23,043	320,968

(a): Resigned 30 August on 2016.

(b): Appointed 30 August on 2016.

The remuneration of directors of the Company for the year ended 31 December 2015 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	251	—	—	—	251
Mr. Xia Haijun ( <i>Chief executive</i> )	251	146,359	15	21,379	168,004
Mr. Tse Wai Wah	393	8,988	15	2,352	11,748
Mr. Xu Wen	240	6,857	43	1,710	8,850
Ms. He Miaoling	240	5,196	35	2,637	8,108
Mr. Andrew Huang	251	7,427	15	1,069	8,762
Mr. Chau Shing Yim David	614	—	—	214	828
Mr. He Qi	360	—	—	214	574
Ms. Xie Hongxi	360	—	—	214	574
	2,960	174,827	123	29,789	207,699

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**42 Benefits and Interests of Directors (Continued)****(b) Directors' retirement benefits**

During the year ended 31 December 2016, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2015: same).

**(c) Directors' termination benefits**

During the year ended 31 December 2016, there was no termination benefits received by the directors (2015: same).

**(d) Consideration provided to third parties for making available directors' services**

During the year ended 31 December 2016, no consideration was paid for making available the services of the directors of the Company (2015: same).

**(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During year ended 31 December 2016, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

**(f) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 Particulars of Principal Subsidiaries

The following is a list of the particulars of principal subsidiaries at 31 December 2016:

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
<i>Incorporated in the BVI with limited liability and operating in the PRC</i>					
ANJI (BVI) Limited	26 June 2006	US\$100	100%	—	Investment holding
Shengjian (BVI) Limited	29 January 2007	US\$100	—	100%	Investment holding
Ever Grace Group Limited	18 September 2008	US\$100	—	100%	Investment holding
<i>Incorporated in Hong Kong with limited liability and operating in the PRC</i>					
Success Will Group Limited	5 July 2007	HK\$1,000	—	100%	Investment holding
Shui Wah Investment Limited	18 June 1992	HK\$4	—	100%	Property development
Wisdom Gain Group Limited	13 June 2003	US\$10,000	—	100%	Property development
Full Hill Limited	3 January 2002	US\$1	—	100%	Investment holding
Grandday Group Limited	16 January 2008	US\$100	—	100%	Investment holding
<i>Incorporated in the PRC with limited liability and operating in the PRC</i>					
恒大地產集團有限公司 Hengda Real Estate Group Company Limited	24 June 1996	RMB2,500,000,000	—	100%	Property development
恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited	17 July 2006	RMB482,000,000	—	100%	Property development
金碧物業有限公司 Jinbi Property Management Company Limited	10 September 1997	RMB177,600,000	—	100%	Property management
恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Property Company Limited	5 September 2007	RMB457,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
南寧銀象房地產開發有限責任公司 Nanning Yinxiang Real Estate Development Company Limited	6 May 2010	RMB20,000,000	—	100%	Property development
佛山市南海俊誠房地產發展有限公司 Foshan Nanhai Juncheng Real Estate Development Company Limited	23 November 2007	RMB1,220,000,000	—	100%	Property development
恒大地產集團包頭有限公司 Hengda (Baotou) Real Estate Group Company Limited	9 August 2008	RMB525,000,000	—	100%	Property development
長沙寶瑞房地產開發有限公司 Baorui (Changsha) Property Company Limited	5 March 2010	RMB470,000,000	—	100%	Property development
海南東方明珠房地產有限公司 Hainan Oriental Pearl Real Estate Company Limited	16 December 2009	RMB70,000,000	—	100%	Property development
天津市津麗湖投資有限公司 Jinli Lake (Tianjin) Investment Company Limited	13 November 2009	RMB690,000,000	—	100%	Property development
濟南恒大綠洲置業有限公司 Jinan Hengdalvzhou Property Corporation Limited	18 January 2010	RMB870,000,000	—	100%	Property development
太原俊景房地產開發有限公司 Taiyuan Junjing Real Estate Development Corporation Limited	2 April 2010	RMB782,200,000	—	66%	Property development
石家莊地益嘉房地產開發有限公司 Shijiazhuang Diyijia Real Estate Company Limited	5 April 2010	RMB5,000,000	—	100%	Property development
榆中俊興房地產開發有限公司 Yuzhong Junxing Real Estate Company Limited	28 July 2010	RMB130,000,000	—	100%	Property development



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
安陽通瑞達房地產開發有限公司 Tongruida (Anyang) Property Company Limited	8 October 2010	RMB500,000,000	—	100%	Property development
天津濱橋投資有限公司 Binqiao (Tianjin) Investment Company Limited	28 November 2007	RMB1,000,000,000	—	100%	Property development
哈爾濱市恒大偉業房地產開發有限公司 Harbin Hengda Weiye Real Estate Development Company Limited	26 January 2011	RMB780,000,000	—	100%	Property development
清遠市銀湖城投資有限公司 Yinhucheng (Qingyuan) Investment Company Limited	28 September 2009	RMB800,000,000	—	100%	Property development
深圳市建設集團有限公司 Shenzhen Construction Group Corporation Limited	21 January 2011	RMB620,000,000	—	100%	Construction
合肥粵通置業有限公司 Hefei Yuetong Property Corporation Limited	25 August 2011	RMB200,000,000	—	100%	Property development
南昌中電投高新置業有限公司 Nanchang State Power Investment New high Property Corporation Limited	10 May 2011	RMB383,000,000	—	100%	Property development
六安粵通置業有限公司 Luan Yuetong Property Corporation Limited	13 July 2011	RMB290,000,000	—	100%	Property development
新鄉御景置業有限公司 Xinxiang Yujing Property Corporation Limited	23 May 2012	RMB100,000,000	—	100%	Property development
城博(寧波)置業有限公司 Chengbo (Ningbo) Property Company Limited	18 January 2011	USD328,000,000	—	51%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
潮州市恒大置業有限公司 Chaozhou Hengda Property Company Limited	10 July 2012	RMB280,000,000	—	100%	Property development
無錫盛東房產開發有限公司 Wuxi Shengdong Real Estate Development Company Limited	6 May 2010	RMB200,000,000	—	100%	Property development
長沙鑫芙置業有限公司 Changsha Xinfu Property Company Limited	23 April 2013	RMB663,265,300	—	100%	Property development
廣州市鑫誠置業有限公司 Guangzhou Xincheng Property Company Limited	22 May 2013	RMB720,000,000	—	100%	Property development
重慶恒大鑫泉置業有限公司 Hengda Xinquan (Chongqing) Property Company Limited	6 June 2013	RMB1,200,000,000	—	100%	Property development
恒大地產集團河源有限公司 Hengda (Heyuan) Real Estate Group Company Limited	17 June 2013	RMB20,000,000	—	100%	Property development
北京沙河恒大置業有限公司 Shahe Hengda (Beijing) Property Company Limited	12 July 2013	RMB1,330,000,000	—	100%	Property development
合肥粵誠置業有限公司 Yuecheng (Hefei) Property Company Limited	9 September 2013	RMB1,920,000,000	—	100%	Property development
宜昌楚天恒大房地產開發有限公司 Chutian Hengda (Yichang) Real Estate Company Limited	10 September 2013	RMB150,000,000	—	60%	Property development
常德鑫澤置業有限公司 Xinze (Changde) Property Company Limited	26 August 2013	RMB110,000,000	—	60%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團北京有限公司 Hengda (Beijing) Real Estate Group Company Limited	11 September 2013	RMB1,830,000,000	—	100%	Property development
杭州穗華置業有限公司 Hangzhou Suihua Property Company Limited	25 September 2013	RMB1,500,000,000	—	100%	Property development
南京旭泰房地產開發有限公司 Nanjing Xutai Real Estate Company Limited	20 November 2013	RMB970,000,000	—	100%	Property development
南京美旭房地產開發有限公司 Nanjing Meixu Real Estate Development Company Limited	20 November 2013	RMB1,503,000,000	—	100%	Property development
北京恒興盛房地產開發有限公司 Hengxingsheng (Beijing) Real Estate Company Limited	8 November 2013	RMB3,520,000,000	—	100%	Property development
上海金碧置業有限公司 Shanghai Jinbi Property Company Limited	25 December 2013	RMB865,000,000	—	100%	Property development
上海松裕置業有限公司 Shanghai Songyu Property Company Limited	24 December 2013	RMB655,000,000	—	100%	Property development
上海茸善置業有限公司 Shanghai Rongshan Property Company Limited	23 December 2013	RMB418,000,000	—	100%	Property development
天津帝景房地產開發有限公司 Tianjin Dijing Real Estate Development Company Limited	23 December 2013	RMB30,000,000	—	100%	Property development
太原市俊恒房地產開發有限公司 Taiyuan Junheng Real Estate Company Limited	16 January 2014	RMB430,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
北京正浩置業有限公司 Zhenghao (Beijing) Property Company Limited	4 March 2014	RMB1,750,000,000	—	100%	Property development
北京恒龍置業有限公司 Henglong (Beijing) Property Company Limited	12 March 2014	RMB1,200,000,000	—	100%	Property development
成都市恒大新西城置業有限公司 Hengda New West City Property Company Limited	29 April 2014	RMB710,000,000	—	51%	Property development
長沙金霞開發建設有限公司 Changsha Jinxia Development and Construction Company Limited	5 September 2014	RMB122,450,000	—	51%	Property development
太原金世恒房地產開發有限公司 Jinshiheng (Taiyuan) Real Estate Company Limited	27 November 2014	RMB1,096,530,000	—	100%	Property development
鄭州恒林置業有限公司 Henglin (Zhengzhou) Property Company Limited	6 September 2013	RMB458,135,500	—	51%	Property development
濟南東進龍鼎置業有限公司 Jinan Dongjin Longding Property Company Limited	3 November 2014	RMB820,000,000	—	100%	Property development
岳陽金瑞置業有限公司 Yueyang Jinrui Property Company Limited	15 January 2015	RMB20,000,000	—	64%	Property development
成都恒大新東城置業有限公司 Hengda New East City Property Company Limited	15 January 2015	RMB1,620,000,000	—	100%	Property development
武漢恒大都市地產開發有限公司 Wuhan Hengda City Real Estate Development Company Limited	17 March 2015	RMB50,000,000	—	60%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
莆田金碧置業有限公司 Putian Jinbi Property Company Limited	2 April 2015	RMB20,000,000	—	100%	Property development
廈門恒大置業有限公司 Xiamen Hengda Property Company Limited	4 June 2015	RMB20,000,000	—	100%	Property development
重慶恒大鑫源置業有限公司 Chongqing Hengda Xingai Property Company Limited	21 August 2014	RMB1,000,000,000	—	100%	Property development
汕頭市恒悅置業有限公司 Shantou Hengyue Property Company Limited	27 May 2015	RMB300,000,000	—	100%	Property development
雲南恒雲置業有限公司 Yunnan Hengyun Property Company Limited	26 May 2015	RMB214,000,000	—	51%	Property development
武漢三江航天投資發展有限公司 Sanjiang Spaceflight (Wuhan) Investment Development Company Limited	28 October 2015	RMB10,000,000	—	67%	Property development
重慶中渝物業發展有限公司 Zhongyu (Chongqing) Property Management Company Limited	10 July 2015	USD131,000,000	—	60%	Property development
愛美高實業(成都)有限公司 Avergo (Chengdu) Industrial Company Limited	14 July 2015	USD449,400,000	—	100%	Property development
儋州中潤旅遊開發有限公司 Zhongrun (Danzhou) Tourism Development Company Limited	19 August 2015	RMB20,000,000	—	100%	Property development
儋州信恒旅遊開發有限公司 Xinheng (Danzhou) Tourism Development Company Limited	19 August 2015	RMB800,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
漳州信成房地產開發有限公司 Xincheng (Zhangzhou) Real Estate Development Company Limited	20 January 2015	RMB80,000,000	—	100%	Property development
柳州市兆福地產置業有限公司 Liuzhou Zhaofu Real Estate Property Company Limited	18 September 2015	RMB163,265,300	—	100%	Property development
江陰雅盛恒泰置業有限公司 Jiangyin Yasheng Hengtai Property Company Limited	19 July 2013	RMB400,000,000	—	100%	Property development
懷來恒天房地產開發有限公司 Hengtian (Huailai) Real Estate Development Company Limited	18 September 2015	RMB750,000,000	—	100%	Property development
重慶尖置房地產有限公司 Jianzhi (Chongqing) Real Estate Company Limited	10 July 2015	HKD5,880,000,000	—	100%	Property development
阜陽粵通置業有限公司 Fuyang Yuetong Property Company Limited	4 May 2016	RMB650,000,000	—	70%	Property development
南寧耀世龍庭房地產開發有限公司 Yaoshi Dragon Court (Nanning) Real Estate Development Company Limited	25 November 2015	RMB20,000,000	—	100%	Property development
南京臨江御景房地產開發有限公司 Linjiang Yujing (Nanjing) Real Estate Development Company Limited	11 December 2015	RMB1,471,650,000	—	100%	Property development
杭州晶立置業有限公司 Hangzhou Jingli Property Company Limited	2 February 2016	USD370,000,000	—	100%	Property development
貴陽新世界房地產有限公司 New World (Guiyang) Real Estate Company Limited	18 February 2016	USD301,350,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
新世界中國地產(海口)有限公司 New World China Real Estate (Haikou) Company Limited	14 January 2016	USD750,000,000	—	100%	Property development
武漢新世界康居發展有限公司 New World Peaceful Living (Wuhan) Development Company Limited	5 January 2016	RMB96,000,000	—	60%	Property development
哈爾濱市佳業地產開發有限公司 Jiaye (Harbin) Real Estate Development Company Limited	18 January 2016	RMB20,000,000	—	100%	Property development
青島金灣置業有限公司 Qingdao Jinwan Property Company Limited	25 January 2016	RMB1,000,000,000	—	100%	Property development
北京富華房地產開發有限公司 Fuhua (Beijing) Real Estate Development Company Limited	11 January 2016	USD29,900,000	—	100%	Property development
恒大地產集團鹽城南置業 有限公司 Hengda Real Estate Group (Yancheng) Chengnan Property Company Limited	27 January 2016	RMB620,000,000	—	100%	Property development
天津御景灣投資有限公司 Yujingwan (Tianjin) Investment Company Limited	29 February 2016	RMB740,000,000	—	100%	Property development
南京恒裕房地產開發有限公司 Hengyu (Nanjing) Real Estate Development Company Limited	29 January 2016	RMB685,000,000	—	100%	Property development
河南恒龍置業有限公司 Henan Henglong Property Company Limited	14 April 2016	RMB500,000,000	—	100%	Property development
哈爾濱高登置業有限公司 Harbin Gaodeng Property Company Limited	31 March 2016	RMB941,200,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
成都心怡房地產開發有限公司 Xinyi (Chengdu) Real Estate Development Company Limited	3 May 2016	USD99,500,000	—	60%	Property development
貴陽中渝置地房地產開發有限公司 Zhongyu (Guiyang) Property Real Estate Development Company Limited	10 July 2015	USD130,000,000	—	100%	Property development
梅州大百匯品牌產業園有限公司 Big Parkway (Meizhou) Brand Industrial Park Company Limited	8 June 2016	RMB1,000,000,000	—	100%	Property development
濟南源浩置業有限公司 Jinan Yuanhao Property Company Limited	18 July 2016	RMB9,000,000,000	—	100%	Property development
濟南西開置業有限公司 Jinan Xikai Property Company Limited	16 August 2016	RMB18,000,000	—	100%	Property development
濟南西業置業有限公司 Jinan Xiye Property Company Limited	16 August 2016	RMB18,000,000	—	100%	Property development
唐山市福家房地產開發有限公司 Fujia (Tangshan) Real Estate Development Company Limited	11 December 2008	RMB200,000,000	—	100%	Property development
西安遠聲實業有限公司 Yuansheng (Xian) Industrial Company Limited	26 December 2016	RMB120,000,000	—	100%	Property development
重慶同景宏航置地有限公司 Tongjing Honghang (Chongqing) Land Limited	22 December 2016	RMB220,000,000	—	100%	Property development

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.



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CHINA EVERGRANDE GROUP