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花样年
FANTASIA

Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 01777)

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 offering circular (the "**Offering Circular**") in relation to the exchange offer of US$100,000,000 senior notes due 2019 for US$100,000,000 senior notes due 2020 by Fantasia Holdings Group Co., Limited, which is available on the website of the Singapore Exchange Securities Trading Limited on 19 December 2018.

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

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

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

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

Hong Kong, 20 December 2018

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby and Mr. Deng Bo; the non-executive Directors are Mr. Li Dong Sheng, Mr. Liao Qian and Mr. Lam Kam Tong and the independent non-executive Directors are Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu.

STRICTLY CONFIDENTIAL — DO NOT FORWARD
THIS EXCHANGE OFFER IS AVAILABLE ONLY TO
INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES

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

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to Haitong International Securities (Singapore) Pte. Ltd. (the "Dealer Manager") that (1) you are outside the United States and to the extent you purchase the securities described in the attached exchange offer memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act and (2) that you consent to delivery of the attached exchange offer memorandum and any amendments or supplements thereto by electronic transmission.

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

The communication of the attached document and any other document or materials relating to the issue of the securities offered thereby 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 (the "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 (the "Financial Promotion Order")), or within Article 43 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 offered thereby 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.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Dealer Manager or any person who controls it or any of its directors, employees representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

THE EXISTING NOTES AND THE NEW NOTES (AS DEFINED IN THE ATTACHED EXCHANGE OFFER MEMORANDUM) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the issuer of the securities or the Dealer Manager to subscribe for or purchase any of the securities described therein and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealer Manager or any affiliate of the Dealer Manager is a licensed broker or dealer in that jurisdiction, the offering shall be described to be made by the Dealer Manager or its affiliates on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached exchange offer memorandum on the basis that you are a person into whose possession such exchange offer memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver such exchange offer memorandum, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions That You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED EXCHANGE OFFER MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH EXCHANGE OFFER MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED EXCHANGE OFFER MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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EXCHANGE OFFER MEMORANDUM **CONFIDENTIAL**

THIS DOCUMENT IS IMPORTANT AND REQUIRES IMMEDIATE ATTENTION
NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES
THIS EXCHANGE IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES

花样年
FANTASIA

FANTASIA HOLDINGS GROUP CO., LIMITED

(incorporated in the Cayman Islands with limited liability)

Offer to Exchange Any and All of the Outstanding

Description of Debt Securities	Outstanding Amount	ISIN/Common Code	Exchange Consideration per US$1,000 of applicable Existing Notes (as defined herein) tendered for exchange
8.5% Senior Notes Due 2019 (the "Existing Notes") . . .	US$100,000,000	Common Code: 183298739 ISIN: XS1832987397	US$1,000 in aggregate principal amount of New Notes, Accrued Interest and cash in lieu of any fractional amount of New Notes. See the section entitled "Summary of the Exchange Offer – Exchange Consideration."

THIS EXCHANGE OFFER (AS DEFINED HEREIN) WILL EXPIRE AT 4:00 P.M., LONDON TIME ON DECEMBER 14, 2018, UNLESS EXTENDED OR EARLIER TERMINATED AT OUR SOLE DISCRETION (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "EXCHANGE EXPIRATION DEADLINE"). IF ALL OUTSTANDING EXISTING NOTES ARE VALIDLY TENDERED BEFORE 4:00 P.M., LONDON TIME ON DECEMBER 14, 2018, THE EXCHANGE EXPIRATION DEADLINE MAY BE SET AT SUCH EARLIER TIME AT OUT SOLE DISCRETION. ELIGIBLE HOLDERS (AS DEFINED HEREIN) WHO GIVE INSTRUCTIONS TO EXCHANGE EXISTING NOTES WILL RECEIVE EXCHANGE CONSIDERATION AS DESCRIBED BELOW. INSTRUCTIONS (AS DEFINED HEREIN) MAY NOT BE WITHDRAWN ONCE SUBMITTED.

Upon the terms and subject to the conditions set forth in this exchange offer memorandum (this "exchange offer memorandum"), we, Fantasia Holdings Group Co., Limited (the "Company"), are offering to exchange (the "Exchange Offer") any and all of the Existing Notes held by Eligible Holders (as defined herein) for the exchange consideration for each US$1,000 principal amount of the outstanding Existing Notes that is validly tendered prior to the Exchange Expiration Deadline and accepted for exchange (the "Exchange Consideration") consisting of the following: (i) US$1,000 in aggregate principal amount of the US$ denominated 12.0% Senior Notes due 2020 (the "New Notes"); (ii) any accrued interest (as defined below); and (iii) cash in lieu of any fractional amount of New Notes.

The Existing Notes are senior obligations of the Company, guaranteed by our existing subsidiaries (the "Subsidiary Guarantors"), other than those subsidiaries organized under the laws of the PRC. We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee (a "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors (if any).

Accrued and unpaid interest on any Existing Notes validly tendered by Eligible Holders and accepted for exchange, up to but not including the Settlement Date (as defined herein), will be payable in cash (such accrued and unpaid interest in cash, the "Accrued Interest"). We plan to use our own internal funds to pay such Accrued Interest. For further details, see the section entitled "Summary of the Exchange Offer – Accrued Interest".

Instructions to exchange any of the Existing Notes may only be submitted in a minimum principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof. Any New Notes to be issued to any Eligible Holder in the Exchange Offer will be in a minimum principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof. Any fractional amounts of New Notes will be paid in US dollars in cash. To the extent that any Eligible Holder elects to exchange only a portion of its Existing Notes, any retained portion must be in a minimum principal amount of US$200,000. Eligible Holders are responsible for ensuring that their instructions will result in the New Notes they are entitled to receive being at least equal to the minimum principal amount of US$200,000. Instructions that would result in a principal amount of New Notes below US$200,000 will be rejected.

Instructions in connection with the Exchange Offer are irrevocable. Eligible Holders may not withdraw instructions at any time once delivered in accordance with the terms herein.

The Exchange Offer is subject to the conditions discussed under "Description of the Exchange Offer – Conditions to the Exchange Offer." Notwithstanding anything to the contrary contained in this exchange offer memorandum or in any other document related to the Exchange Offer, we expressly reserve the right, at our sole discretion and regardless of whether any of the conditions described under "Description of the Exchange Offer – Conditions to the Exchange Offer" have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Exchange Expiration Deadline or Settlement Date, (iv) amend the terms of the Exchange Offer or (v) modify the form or amount of the consideration to be paid pursuant to this Exchange Offer.

Only direct participants in Euroclear Bank SA/NV ("Euroclear") or Clearstream Banking S.A. ("Clearstream"), may submit instructions through Euroclear and Clearstream. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Existing Notes to submit an instruction on your behalf to the relevant clearing system prior to the deadline specified by the relevant clearing system. Any Eligible Holder that gives instructions on behalf of a beneficial holder must give separate instructions with respect to each of its beneficial holders. Eligible Holders who intend to make different elections with respect to portions of their holding of Existing Notes must deliver separate instructions with respect to each such portion. Upon giving instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred until the Exchange Offer is terminated so as to result in a cancellation of such instructions.

You should carefully consider all the information in this exchange offer memorandum including, in particular, the "Risk Factors" section in this exchange offer memorandum before you make any decision regarding the Exchange Offer. For more information regarding the New Notes, see the section entitled "Summary of the New Notes" in this exchange offer memorandum.

YOU MUST MAKE YOUR OWN DECISION WHETHER TO EXCHANGE YOUR EXISTING NOTES IN THE EXCHANGE OFFER. NONE OF THE COMPANY, THE DEALER MANAGER, THE TRUSTEE OF THE EXISTING NOTES, THE COLLATERAL AGENT, THE SUBSIDIARY GUARANTORS, THE INFORMATION AND EXCHANGE AGENT (EACH AS DEFINED HEREIN) OR ANY OTHER PERSON IS MAKING ANY RECOMMENDATION AS TO WHETHER OR NOT YOU SHOULD EXCHANGE YOUR EXISTING NOTES IN THE EXCHANGE OFFER.

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

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the New 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 New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company or the New Notes. For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New 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 New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (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 New Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act.

Dealer Manager
Haitong International

The date of this exchange offer memorandum is December 10, 2018

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This exchange offer 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 exchange offer 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 exchange offer memorandum or that the information contained in this exchange offer memorandum is correct as of any time after that date.

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

The communication of the attached document and any other document or materials relating to the issue of the securities offered thereby 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 (the "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 (the "Financial Promotion Order")), or within Article 43 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 offered thereby 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.

No representation or warranty, express or implied, is made by Haitong International Securities (Singapore) Pte. Ltd. (the "Dealer Manager"), Citicorp International Limited, either acting as trustee for the Existing Notes (the "Existing Notes Trustee") or acting as collateral agent in respect of, among others, the Existing Notes (the "Collateral Agent"), Citibank, N.A., London Branch, acting as paying agent, transfer agent and registrar for the Existing Notes (the "Existing Notes Agent") or D. F. King, being the information and exchange agent (the "Information and Exchange Agent") or any of their respective affiliates, directors or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this exchange offer memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Dealer Manager, the Existing Notes Trustee, the Collateral Agent, the Existing Notes Agent, the Information and Exchange Agent and any of their respective affiliates, directors or advisors has independently verified any of the information contained in this exchange offer memorandum. They can give no assurance that this information is accurate, truthful or complete, and, to the fullest extent permitted by law, none of them accepts any responsibility for the contents of this exchange offer memorandum. This exchange offer memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Subsidiary Guarantors, the Dealer Manager, the Existing Notes Trustee, the Collateral Agent, the Existing Notes Agent, or theInformation and Exchange Agent as to whether Eligible Holders of the Existing Notes should tender the Existing Notes pursuant to the Exchange Offer.

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

Each person receiving this exchange offer 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 Dealer Manager or any person affiliated with the Dealer Manager in connection with any investigation of the accuracy of such information or its decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the Exchange Offer) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Dealer Manager.

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

We are not, and the Dealer Manager is not, making an offer to sell the New Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this exchange offer memorandum and the Exchange Offer may in certain jurisdictions be restricted by law. Persons into whose possession this exchange offer memorandum comes are required by us and the Dealer Manager to inform themselves about and to observe any such restrictions. For a description of the restrictions on the offer and distribution of the New Notes, including the Subsidiary Guarantees, and distribution of this exchange offer memorandum, see the section entitled "Offer and Distribution Restrictions" below.

This exchange offer 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 exchange offer memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the Exchange Offer, including the merits and risks involved. We, the Existing Notes Trustee, the Collateral Agent, the Existing Notes Agent, the Dealer Manager and the Information and Exchange Agent, are not making any representation to you regarding the legality of tendering the Existing Notes pursuant to the Exchange Offer by you under any legal, investment, taxation or similar laws or regulations. You should not consider any information in this exchange offer memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding tendering the Existing Notes pursuant to the Exchange Offer.

We expressly reserve the absolute right, at our sole discretion, from time to time to redeem or purchase any Existing Notes that remain outstanding after the Offer Expiration Date through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from those of this exchange offer memorandum and could be for cash or other consideration, or to exercise any of our rights (including rights of redemption) under the indenture governing the Existing Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

Market data, industry forecast and the PRC and property industry statistics in this exchange offer 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 Dealer Manager or our or its respective directors and advisors, and neither we, the Dealer Manager nor our or its 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 the PRC and property industry statistics.

In this exchange offer memorandum, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."); all references to "HK$" and "H.K. dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("Hong Kong" or "HK"); and all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China ("China" or the "PRC").

We record and publish our financial statements in Renminbi. Unless otherwise stated in this exchange offer 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 certified for customs purposes by 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 certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2018. All such translations in this exchange offer 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.

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

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

Unless the context otherwise requires, references to "2015," "2016" and "2017" in this exchange offer memorandum are to our financial years ended December 31, 2015, 2016 and 2017, respectively.

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

References to the "2012 Notes" are to our 13.75% Senior Notes due 2017, which matured and were fully repaid as of September 27, 2017.

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

References to the "May 2013 Notes" are to our 7.875% Senior Notes due 2016, which matured and were fully repaid as of May 27, 2016.

References to the "2014 Notes" are to our 10.625% Senior Notes due 2019, which were fully redeemed as of January 23, 2017.

References to the "2015 Notes" are to our 11.50% Senior Notes due 2018, which matured and were fully repaid as of June 1, 2018.

References to the "May 2016 Notes" are to our 9.50% Senior Notes due 2019, which include the original notes issued on May 4, 2016 and the additional notes issued on August 29, 2016.

References to the "October 2016 Notes" are to our 7.375% Senior Notes due 2021, which include the original notes issued on October 4, 2016 and the additional notes issued on December 29, 2016.

References to the "June 2017 Notes" are to our 5.50% Senior Notes due 2018 ("the Original June 2017 Notes") and further issued on September 18, 2017 (the "Additional June 2017 Notes") which were consolidated and formed a single class with the Original June 2017 Notes, which matured and were fully repaid as of June 12, 2018.

References to the "July 2017 Notes" are to our 7.95% Senior Notes due 2022.

References to the "February 2018 Notes" are to our 7.25% Senior Notes due 2019.

References to the "March 2018 Notes" are to our 8.375% Senior Notes due 2021, which include the original notes issued on March 8, 2018 and the additional notes issued on March 16, 2018 and May 7, 2018.

Reference to the "July 2018 Notes" are to our 12.0% Senior Notes due 2019.

References to the "2015 Onshore Bonds" are to our 6.95% domestic corporate bonds issued on September 18, 2015.

References to the "2016 Onshore Bonds" are to our 7.29%, 6.7% and 7.5% domestic corporate bonds issued on January 4, 2016, January 29, 2016 and May 20, 2016, respectively. We issued further tranches of non-public domestic corporate bonds on August 17, 2016 and August 23, 2016 of RMB1.3 billion and RMB0.3 billion with an interest rate of 7.20% and 7.30% per annum, respectively.

References to the "2017 Onshore Bonds" are to our 7.0% domestic corporate bonds issued on November 10, 2017 by Shenzhen Colour Life Services Group Co., Limited (深圳市彩生活服務集團有限公司) ("Shenzhen Colour Life").

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

OFFER AND DISTRIBUTION RESTRICTIONS

This exchange offer memorandum does not constitute an offer of securities for sale in any jurisdiction where it is unlawful to do so. The distribution of this exchange offer memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this exchange offer memorandum comes are required by each of us, the Dealer Manager, the Existing Notes Trustee, the Collateral Agent, the New Notes Trustee and the Information and Exchange Agent to inform themselves about and to observe any such restrictions.

United States

The Exchange Offer will only be made to Eligible Holders who are located outside the United States and hold the Existing Notes through the Clearing Systems (as defined herein) or certain fiduciaries holding accounts for the benefit of persons outside the United States and holding the Existing Notes through the relevant Clearing System.

The New Notes have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdictions, and the New Notes 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 and applicable laws of any other jurisdiction.

European Economic Area

This exchange offer memorandum is not a prospectus for the purposes of the Prospectus Directive. This exchange offer memorandum has been prepared on the basis that any offer of New Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the New Notes. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

The communication of this exchange offer memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "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 (the "Financial Promotion Order")), or within Article 43 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 New Notes offered hereby are only available to, and any investment or investment activity to which this exchange offer memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this exchange offer memorandum or any of its contents.

No invitation or inducement to engage in investment activity (within the meanings of section 21 of the FSMA received by the Dealer Manager in connection with the Exchange Offer may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to the Dealer Manager. All applicable provisions of the FSMA must be complied with in respect to anything done or to be done by the Dealer Manager in relation to the Exchange Offer in, from or otherwise involving the United Kingdom.

Hong Kong

This exchange offer memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this exchange offer memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this exchange offer memorandum may, however, be issued to a limited number of prospective applicants for the Exchange Offer or the New Notes in Hong Kong (i) in a manner which does not constitute an offer 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), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

No advertisement, invitation or document relating to the Exchange Offer or the New Notes may be issued or may be in the possession of any person other than with respect to the New 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 of the Laws of Hong Kong) and any rules made thereunder.

Japan

The Exchange Offer and the New 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 "FIEA") and may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This exchange offer 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"). Accordingly, this exchange offer memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New 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 New Notes are initially subscribed or purchased by (i) an institutional investor under Section 274 of the SFA, or (ii) 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, the

New Notes may only be sold or transferred: (a) at any time, to an institutional investor under Section 274 of the SFA; (b) at any time, to a relevant person defined in Section 275(2) of the SFA or to any person pursuant to an offer referred to in Section 275(1A) of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New 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 New 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; or

(4) as specified in Section 276(7) of the SFA.

The PRC

No New Notes shall be offered or sold in the PRC (excluding Hong Kong, Macau and Taiwan), directly or indirectly, except in compliance with applicable laws and regulations.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the New Notes and no such invitation is made hereby.

British Virgin Islands

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the New Notes.

This Exchange Offer does not constitute, and will not be, an offering of the New Notes to anyperson in the British Virgin Islands.

SUMMARY

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

Overview

We are a leading property developer and property related service provider in China. For ten consecutive years from 2009 to 2018, we have members of our Group ranked among the China Top 100 Real Estate Developers (中國房地產百強企業) and the China Top 100 Property Management Companies (中國物業服務百強企業) by the China Real Estate Top 10 Research Team (中國房地產Top 10研究組). We are also recognized as "Outstanding Company with Light Asset Operation in 2018", "China's Top 100 Real Estate Companies in 2018 – Top 10 in Financing Capability" and "China's Top 100 Real Estate Companies in 2018 – Top 10 in Stability" by Development Research Center of the State Council, Institute of Real Estate Studies at Tsinghua University and China Index Academy. We were also ranked among the China Real Estate Top 100 Listed Companies (中國房地產上市公司百強) in 2011 and the Top 50 China Real Estate Listed Companies in terms of Comprehensive Strength (中國房地產上市公司綜合實力五十強) in 2012 and 2014 by the China Real Estate Research Institute, China Real Estate Association and China Real Estate Assessment Center. In 2014, we were granted the title of the "Innovative Enterprise in China Real Estate Community Service Model" (中國房地產社區服務模式創新企業) in the first Annual Meeting of Community Responsibility in China Real Estate (中國房地產社區責任年會) cum the sixth Annual Meeting of the New Trends in China Property (中國地產新趨勢年會), jointly held by institutions including China Foundation for Poverty Alleviation (中國扶貧基金會) and China Real Estate Chamber of Commerce (全聯房地產商會) and were selected as the "Enterprise with Highest Brand Value in Shenzhen Real Estate" (深圳房地產最具品牌價值企業) by Shenzhen Real Estate Association (深圳市房地產業協會). In April 2015, Shenzhen Fantasia Business Management Company Limited was awarded the honour of the "Best Chinese Commercial Real Estate Operator" (中國商業地產最佳營運商) in the Adjudication and Selection of Golden Coordinate on "the Tenth Chinese Commercial Real Estate Festival" (第十屆中國商業地產節), and the "China Community Commercial Operation Innovation Prize" (中國社區商業運營創新獎) on the Twelfth Chinese Commercial Real Estate Industry Development Forum held in Shanghai. In May 2015, Shenzhen Fantasia International Property Services Co., Ltd., Chengdu Branch (深圳市花樣年國際物業服務有限公司成都分公司) was awarded the honour of the "Model Enterprises for Urban Water Conservation in Chengdu 2014" (成都市2014年度城市節水工作先進單位). In June 2015, Colour Life Services Group Co., Limited under Fantasia Group was awarded the honour of the "Top 10 in Top 100 Comprehensive Property Services Enterprises 2015" (2015物業服務百強綜合TOP 10), the "Leading Enterprises of Satisfaction in Top 100 Property Services Companies 2015" (2015中國物業服務百強滿意度領先企業), the "Top Enterprise with the Largest Area of Residential Properties under Management in the World at the end of 2014" (2014年底物業居住管理面積全球最大), and the "Top 10 Growth Enterprises in Top 100 Property Services Companies 2015" (2015物業服務百強企業成長性TOP 10) by China Real Estate Top 10 Research Team. In Addition, Colour Life Services Group ranked the top of "Top 10 Growth Enterprises in Top 100 Property Services Companies 2015" with its prevailing edges. In July 2015, Fantasia Holdings Group Co., Limited was awarded the honour of the "Award of Contribution to Community Service Industry 2015" (2015年度社區服務行業貢獻大獎) at the 15th Annual Conference of BOAO 21st Century Real Estate Forum. Home E&E Group under Fantasia Group was awarded the honour of the "Award of Innovation in Commercial Community Operation 2015" at the 15th Annual Conference of BOAO 21st Century Real Estate Forum in July 2015, and the "Award of Innovation in Resort Properties Operation 2015" in the Adjudication and Selection of China Real Estate Fashion Award in August 2015. In December 2015, Fantasia Group was awarded the honour of the "Award of

Innovation in Community Services" (社區服務創新獎), an innovation award of China Real Estate Value Report in the CBN China Real Estate Annual Summit 2015. In June 2016, in the 2016 China Top 100 Property Service Companies Report (2016中國物業服務百強報告) jointly published by China Property Management Association (中國物業管理協會) and China Index Academy (中國指數研究院), Colour Life Service Group Co., Ltd. (彩生活服務集團有限公司) ("Colour Life"), one of our subsidiaries focusing on our community services business was ranked sixth in the "2016 China Top 10 Property Service Companies in Overall Strength" (2016中國物業服務百強企業綜合實力Top 10). In January 2018, Caifubao was awarded the title of "2017 Social Responsibility Award as a Fintech Enterprise" at the Seventh China Charity Festival. In April 2018, Shenzhen Kaiyuan International Property Management Co., Ltd. was awarded the certificate of "AAA- Class Bidding Credit Enterprise" granted by Shenzhen Radius of the Letter Evaluation Company Limited. In May 2018, Dalian Wanxiangmei Property Management Co., Ltd. was awarded "AAA- Class Enterprise Credit Rating Certificate" by China Association for Small & Medium Commercial Enterprises (CASME) and Credit Working Committee of CASME. In June 2018, Colour Life was honoured as the "2009–2018 (10 Consecutive Years) Top 100 Property Management Companies of China" by China Index Academy. We first commenced our property development business in Shenzhen in 1996. Leveraging our broad experience and capabilities, we have successfully expanded into, and currently focus our real estate activities in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and the Central China Economics Area.

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

- *Urban Complexes*

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

- *Boutique Upscale Residences*

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

As of June 30, 2018, our portfolio of land bank consisted of approximately 86.6% of boutique upscale residences, 5.6% of urban complexes and 7.7% of mid-to-high end residences in terms of GFA. We plan to continue to focus our property development activities on developing a portfolio of products that caters to our target customers across some of China's most economically prosperous regions. We plan to achieve this objective by continuing to selectively acquire low-cost land in the regions. We conduct comprehensive and in-depth market research and analysis on the land that we intend to acquire and the surrounding areas. We consider the geographic as well as marketing factors when evaluating a target parcel, including development potentials, size and suitability of the land for developments that can fit into our existing portfolio, convenience and availability of infrastructure support, purchasing power of our potential customers in relevant areas, development costs and the estimated return on investment. We budget for the cost of land acquisition as well as the overall development costs, which are subject to strict internal procedures and are closely monitored and adjusted throughout the construction process. Acquisition proposal is reviewed and approved by the relevant personnel of our Group, including our chief executive officer and our board of directors. We usually acquire land using our own capital within a pre-set budget and arrange project loans with banks in China at a later stage to support the subsequent development of the property.

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

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

年最具投資價值樓盤) by House.QQ.com (騰迅房產) in January 2013. Both of our Chengdu Future Plaza (成都香年廣場) and Chengdu Longnian International Centre (成都龍年國際中心) were awarded "Masterpiece of Commercial Real Estate in Chengdu Real Estate Market" (2012成都樓市商業地產傑作) by Real Estate Market Overall List in Chengdu, China 2012 (2012中國(成都)樓市總評榜) in March 2013. Fantasia Funian Plaza (花樣年 • 福年廣場) passed the Excellence Assessment and was selected as the outstanding project of property management in Shenzhen Futian District and Fantasia Future Plaza (花樣年 • 香年廣場) passed the expert assessment of the Model Property Management of Chengdu City, and was selected as the excellent project of property management in Chengdu Gaoxin District in 2014. Rhombus Fantasia Chengdu Hotel (花樣年 • 隆堡成都酒店) was awarded the "Best Business and Resort Hotel 2013–2014" (2013–2014年度最佳商務度假酒店) jointly by China City Travel and International Channel Shanghai. Chengdu Meinian Plaza (Phase 1.1 and Phase 1.3) (成都美年廣場1.1和1.3期) was awarded the first prize of "the Sixteenth Evaluation of Shenzhen's Outstanding Engineering Exploration and Design (Residential Buildings)" (深圳市第十六屆優秀工程勘察設計評審(住宅建築)一等獎) in 2014. In March 2015, on the Fifteenth Annual Meeting for China Real Estate Development 2015 organized by the Ministry of Housing and Urban Policy Research Center (住房和城鄉建設部政策研究中心) and co- hosted by China Real Estate Dynamic Policy Design Research Group, Fantasia Lakeside Eden Community stood out on the meeting and was awarded the honour of the "China Exemplary Residential Property Project 2015" (2015年中國宜居示範樓盤). In April 2015, Arcadia Resort Hotel in Yixing stood out in the Adjudication and Selection of "the Tenth China Hotel Starlight Awards" and was awarded the honour of the "10 Best Travelling and Resort Hotel in China" (中國十佳旅遊度假酒店). In April 2015, the Annual Meeting for Asia Hotel Forum 2015 cum the Award Ceremony of China Hotel Starlight Awards was held in Shanghai, Guilin Lingui Fantasia Four Points by Sheraton stood out among the numerous participating hotels and was awarded the honour of the "China's Top 10 New Hotels" (中國十佳新開業酒店). In June 2015, Tianjin Future Plaza project was awarded the government subsidies for RMB100 million building project and the honour of the "Outstanding Property Management in Tianjin" (天津市物業管理優秀項目). In September 2015, our Chengdu Funian project participated in the Adjudication and Selection of the outstanding building project in Chengdu and successfully attained the title of the outstanding building project in Chengdu. Our Longqi Bay project in Shenzhen was awarded the Best Villas of the Year at the 8th China Real Estate Annual Conference in 2016. In February 2016, a hotel management company under Fantasia's cultural tourism group was awarded the honour of "the Golden Lion award of the Best Hotel Management Company in China" (中國最佳酒店管理公司金獅獎) issued by Golden Leaders' Federation of International Hotels. In June 2018, Colour Life Group were honored as "2018 China Specialized Property Service Company – Intelligent Community", the "2018 China Leading Property Management Companies in terms of Customer Satisfaction", the "2018 China Top 10 Property Management Companies in terms of Growth Potential" and the "2018 China Top 10 Property Management Companies in terms of Business Size" by China Index Academy. Colour Life was honored as the "2009–2018 (10 Consecutive Years) Top 100 Property Management Companies of China" by China Index Academy.

As of June 30, 2018, we had a total of 52 projects at various stages of development (including completed projects, projects under development and projects held for future development), including 15 projects located in the Chengdu-Chongqing Economic Zone, nine projects located in the Pearl River Delta region, nine projects located in the Yangtze River Delta region, nine projects located in the Beijing- Tianjin metropolitan region, nine projects located in Central China and one project located overseas in Singapore.

As of June 30, 2018, we had a total land bank of approximately 17.8 million square meters, comprising:

- an aggregate planned GFA of approximately 11.6 million square meters of properties for which we had fully paid the land premium and obtained land use rights (consisting of an aggregate planned GFA of approximately 5.0 million square meters of properties under development and an aggregate planned GFA of approximately 6.6 million square meters of properties held for future development for which we have obtained land use rights); and

- an aggregate planned GFA of approximately 6.2 million square meters of properties for which we had entered into preliminary framework agreements but had not obtained the land use rights or property rights.

Of our total land bank as of June 30, 2018, approximately 7.3 million square meters, or 41.3%, were located in the Chengdu-Chongqing Economic Zone; approximately 5.1 million square meters, or 29.0%, were located in the Pearl River Delta region; approximately 1.6 million square meters, or 8.8%, were located in the Yangtze River Delta region; approximately 1.4 million square meters, or 8.0%, were located in the Beijing-Tianjin metropolitan region; approximately 2.3 million square meters, or 12.9%, were located in Central China. We develop most of our properties, including properties that are currently under development, for sale but will hold certain of these developed properties for investment and hotel management purposes.

For the years ended December 31, 2015, 2016 and 2017 and the six months period ended June 30, 2017 and 2018, our revenue was RMB8,164.3 million, RMB10,920.6 million, RMB9,782.6 million (US$1,478.4 million), RMB3,637.3 million and RMB5,195.5 million (US$785.2 million), respectively. Our revenue consisted of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services, and (v) the provision of hotel management and related services. The following table sets forth our revenue for each of the components described above and the percentage of total revenue represented for the periods indicated with the fluctuations of the percentage due primarily to the different product mix delivered to customers in respective period:

	For the year ended December 31,							For the six months period ended June 30,					
	2015		2016		2017			2017		2018		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$) (unaudited)	(%)	(RMB) (unaudited)	(%)	(RMB) (unaudited)	(US$) (unaudited)	(%)
	(in thousands, except percentages)											
Property development	6,562,066	80.4	8,365,954	76.6	6,598,470	997,185	67.5	2,068,777	56.9	2,563,280	387,372	48.8
Property investment .	182,886	2.2	241,778	2.2	243,187	36,751	2.5	116,945	3.2	125,761	19,005	2.4
Property agency services	24,476	0.3	26,770	0.3	57,967	8,760	0.6	27,122	0.7	28,801	4,353	0.5
Property operation services	1,270,014	15.6	1,652,123	15.1	2,015,378	304,571	20.6	978,459	26.9	1,998,773	302,062	38.0
Hotel services . . .	121,620	1.5	113,867	1.0	134,033	20,256	1.4	63,801	1.8	67,370	10,181	1.3
Others	3,235	0.0	520,146	4.8	733,533	110,854	7.5	382,155	10.5	411,526	62,191	7.8
Total	8,164,297	100.0	10,920,638	100.0	9,782,568	1,478,377	100.0	3,637,259	100.0	5,195,511	785,164	100.0

Our Competitive Strengths

We believe that our primary competitive strengths are:

- property development portfolio strategically located across some of China's most economically prosperous regions;

- ability to acquire land at low cost;
- strong business model with track record of success;
- well-known brand name;
- strong value-accretion property development and service capabilities; and
- experienced and stable management team with proven track record supported by seasoned professional employees.

Our Business Strategies

Our business strategies are to:

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

Recent Developments

Issuance of the July 2018 Notes

On July 16, 2018, the Company issued guaranteed 12.0% senior notes in an aggregate amount of US$140,000,000. The July 2018 Notes will be fully repayable by July 15, 2019.

Resignation of Chief Financial Officer and Re-Designation of Director

On July 20, 2018, Mr. Lam Kam Tong ("Mr. Lam") has resigned as the Chief Financial Officer of the Company. On the same date, Mr. Lam was re-designated from an executive director to a non-executive director of the Company.

Resignation of Company Secretary and Appointment of Joint Company Secretaries

On October 31, Mr. Lam has resigned as the Company Secretary. Mr. Liu Bin ("Mr. Liu") and Ms. Luo Shuyu ("Ms. Luo") were appointed as joint company secretaries with effect from 1 November 2018.

Purchase of the February 2018 Notes

We purchased part of the February 2018 Notes on November 16, 2018 from the open market.

Approval by the China Securities Regulatory Commission for the Issue of Corporate Bonds

Fantasia Group (China) Company Limited ("Fantasia China"), a wholly-owned subsidiary of us established in the PRC, has received the approval letter from China Securities Regulatory Commission ("CSRC") on November 15, 2018 to undertake public offerings of corporate bonds with the face value of up RMB2,900,000,000 to qualified investors. The corporate bonds will be issued in tranches. The issuance of the first tranche shall be completed within 12 months from the date of the approval and the issue of other tranches shall be completed within 24 months from the date of the approval. The approval is valid for 24 months commencing from the date of issue of the approval.

General Information

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

SUMMARY OF THE EXCHANGE OFFER

This summary contains basic information about the Exchange Offer. It may not contain all of the information that is important to you in deciding to accept the Exchange Offer and it is qualified in its entirety by the more detailed information included in this exchange offer memorandum. You should carefully consider the information contained in this exchange offer memorandum, including the "Risk Factors". In addition, certain statements include forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements."

The material terms of the Exchange Offer are summarized below. In addition, we urge you to read the detailed descriptions in the section of this exchange offer memorandum titled "Description of the Exchange Offer."

Issuer	Fantasia Holdings Group Co., Limited
The Exchange Offer	Upon the terms and subject to the conditions set forth in this exchange offer memorandum, we are offering to exchange any and all of our outstanding Existing Notes for the Exchange Consideration. As of the date of this exchange offer memorandum, US$100,000,000 in aggregate principal amount of our Existing Notes is outstanding. Eligible Holders of the Existing Notes validly accepted and exchanged in the Exchange Offer will, from and including the Settlement Date, waive any and all rights with respect to the Existing Notes (other than the right to receive the Exchange Consideration) and will release and discharge us from any and all claims such holders may have, now or in the future, arising out of or related to such Existing Notes, including any and all accrued and unpaid interest thereon.
Purpose of the Exchange Offer	We intend to refinance the Existing Notes to extend our debt maturity profile.

Exchange Consideration	For each US$1,000 principal amount of the outstanding Existing Notes that is validly tendered prior to the Exchange Expiration Deadline and accepted for exchange, an Eligible Holder of such Existing Notes will receive the Exchange Consideration consisting of: (a) US$1,000 in aggregate principal amount of the US$ denominated 12.0% Senior Notes due 2020 (the "New Notes"), (b) Accrued Interest (rounded to the nearest US$0.01, with US$0.005 rounded upwards), and (c) subject to the requirement that any New Notes issued to any Eligible Holder be in a minimum principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof, in the event that such Eligible Holder is entitled to receive any New Notes in a principal amount that is not an integral multiple of US$1,000, cash (rounded to the nearest US$0.01, with US$0.005 rounded upwards) in lieu of any fractional amount of the New Notes equal to the principal amount of the New Notes not issued (after rounding downward the amount of the New Notes to the nearest multiple of US$1,000).
Interest Rate of the New Notes.	See "Summary of the New Notes."
Accrued Interest	Accrued and unpaid interest on any Existing Notes validly tendered and accepted for exchange will be payable in cash (rounded to the nearest US$0.01, with US$0.005 rounded upwards) on the Settlement Date.
Exchange Expiration Deadline	4:00 p.m., London Time on December 14, 2018, unless extended or earlier terminated at our sole discretion. If all outstanding existing notes are validly tendered before 4:00 p.m., London time on December 14, 2018, the exchange expiration deadline may be set at such earlier time at our sole discretion.
Settlement Date	We anticipate that the Settlement Date of the New Notes will occur as soon as practicable after the Exchange Expiration Deadline, unless the Exchange Offer is earlier terminated.
Exchange Website	*https://sites.dfkingtld.com/fantasia*, the website set up by the Information and Exchange Agent for the purposes of hosting the documents relating to the Exchange Offer.

Eligible Holders	The Exchange Offer will only be made to, and the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) are being offered and will be issued only to, eligible holders who are located outside the United States in exchange for their Existing Notes through Euroclear and Clearstream or certain fiduciaries holding accounts for the benefit of persons outside the United States with the Existing Notes held through Euroclear and Clearstream (the "Eligible Holders"). By giving Instructions, Eligible Holders of Existing Notes will be deemed to make a series of representations, warranties and undertakings, which are set out in "Description of the Exchange Offer – Representations, Warranties and Covenants of Eligible Holders of Existing Notes." **Only Eligible Holders who have, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees have, completed the procedures described in, and required by, this exchange offer memorandum are eligible to participate in the Exchange Offer.**
Conditions to the Exchange Offer . .	Our obligation to consummate the Exchange Offer is conditional upon the following: • there being no material adverse change in the market from the date of this exchange offer memorandum to the Settlement Date; • an affirmative determination by us that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests; and • the satisfaction of the other conditions described in "Description of the Exchange Offer – Conditions to the Exchange Offer." Subject to applicable law, we may terminate or withdraw the Exchange Offer if any of the conditions are not satisfied or waived by us by the Settlement Date. We may also extend the Exchange Offer from time to time until the conditions are satisfied or waived. Although we have no present plans or arrangements to do so, we reserve the right to amend, modify or waive, at any time, the terms and conditions of the Exchange Offer, subject to applicable law. We will give you notice of any amendments, modifications or waivers as and if required by applicable law.

Procedures for Tendering Existing Notes	To participate in the Exchange Offer, an Eligible Holder must validly tender its Existing Notes for exchange pursuant to the Exchange Offer prior to the Exchange Expiration Deadline pursuant to the procedures described herein. If you are an Eligible Holder holding the Existing Notes through Euroclear and Clearstream or through a fiduciary holding accounts and you wish to participate in the Exchange Offer, you must tender your Existing Notes pursuant to the procedures described herein by way of an electronic instruction, which must be submitted or delivered through the relevant Clearing System by each Eligible Holder of the Existing Notes who is shown in the records of such Clearing System as a holder of an interest in the Existing Notes, authorizing delivery of your tender to exchange the Existing Notes that are the subject of such electronic instruction (the "Instruction"). A separate Instruction needs to be submitted per each beneficial owner of the Existing Notes held through Euroclear and Clearstream. No guaranteed delivery procedures are being offered in connection with the Exchange Offer. You must tender your Existing Notes for exchange prior to the Exchange Expiration Deadline in order to participate and receive the Exchange Consideration. Only direct participants in Euroclear or Clearstream may submit Instructions. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Existing Notes to submit an Instructionon your behalf to the relevant Clearing System prior to the deadline specified by the relevant Clearing System. Any Eligible Holder that gives Instructions on behalf of a beneficial holder must give separate Instructions with respect to each such beneficial holder. Eligible Holders who intend to make different elections with respect to portions of their holding of Existing Notes must deliver separate Instructions with respect to each such portion. Any Instructions must be given with respect to Existing Notes in a minimum principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof.

	Upon giving Instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred until the Exchange Offer is modified or terminated so as to result in a cancellation of such Instructions. **PLEASE NOTE: THE EXCHANGE OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES. U.S. PERSONS (AS DEFINED IN REGULATION S) AND PERSONS LOCALTED IN THE UNITED STATES ARE NOT PERMITTED TO TENDER EXISTING NOTES IN THE EXCHANGE OFFER.**
Minimum Aggregate Principal Amount of the Existing Notes to be Tendered	The Existing Notes being tendered for exchange may only be submitted in a minimum principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof. The aggregate principal amount of the New Notes to be issued to any Eligible Holder will be in a minimum principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof; provided that, if an Eligible Holder shall elect to partially exchange its Existing Notes into New Notes, the principal amount of each retained Existing Note must be in a minimum principal amount of US$200,000. Eligible Holders are responsible for ensuring that their Instructions will result in the New Notes they are entitled to receive being at least equal to the minimum principal amount of US$200,000. Instructions that would result in a principal amount of New Notes below US$200,000 will be rejected.
Withdrawal and Revocation	Instructions in connection with the Exchange Offer are irrevocable, unless withdrawal thereof is required by applicable law.
Acceptance of Tenders; Delivery of Exchange Consideration	Subject to the terms and conditions described herein, we will accept Instructions that are validly tendered prior to the Exchange Expiration Deadline. Upon our determination that the conditions to the Exchange Offer have been satisfied, participants in the Exchange Offer who validly gave Instructions, and which Instructions are accepted by us, will receive the Exchange Consideration on the Settlement Date.

Extensions, Amendments and Terminations	To the extent that it is legally permitted so to do, we expressly reserve our absolute right to (i) waive any condition to the Exchange Offer; (ii) amend any of the terms of the Exchange Offer; and (iii) modify the consideration offered. Any amendment to the Exchange Offer will apply to all Existing Notes tendered, regardless of when and in what order such Existing Notes were tendered. If we make a material change in the terms of the Exchange Offer, we will disseminate additional offer materials or, if appropriate, issue a press release setting forth such changes, and will extend the Exchange Offer as we consider appropriate. We have the right, at our sole discretion, to extend the Exchange Expiration Deadline or Settlement Date. Additionally, we expressly reserve the right, at our absolute discretion, to terminate the Exchange Offer at any time if the conditions to the Exchange Offer are not met prior to the Settlement Date. In the event that the Exchange Offer is terminated, withdrawn or otherwise not consummated prior to the Settlement Date, no consideration will be paid or become payable and no New Notes will be issued or become issuable to Eligible Holders who have validly tendered their Existing Notes pursuant to the Exchange Offer. In any such event, the Existing Notes previously tendered pursuant to the Exchange Offer will be promptly returned to the tendering Eligible Holders.
Consequences of Failure to Exchange Existing Notes	For a description of the consequences of failing to exchange your Existing Notes, see "Risk Factors" and "Description of the Exchange Offer – Certain Consequences to Eligible Holders of Existing Notes Not Participating in the Exchange Offer."
Brokerage Commissions	No brokerage commissions are payable by the holders of the Existing Notes to us, the Dealer Manager or the Information and Exchange Agent.
Dealer Manager	Haitong International Securities (Singapore) Pte. Ltd.
Information and Exchange Agent . . .	D. F. King has been appointed as the Information and Exchange Agent. You can find the address and telephone number for the Information and Exchange Agent on the back cover of this exchange offer memorandum.
Existing Notes Trustee	Citicorp International Limited
New Notes Trustee	Citicorp International Limited
Clearing Systems	Euroclear and/or Clearstream (each a "Clearing System")

Use of Proceeds	We will not receive any cash proceeds from the Exchange Offer.
Further Information	Questions about the terms of the Exchange Offer should be directed to the Company and the Information and Exchange Agent. If you have questions regarding tender or offer procedures or require additional copies of this exchange offer memorandum, please contact the Information and Exchange Agent. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer. All documents related to the Offer will be made available, subject to eligibility, on the Exchange Website: *https://sites.dfkingtld.com/fantasia*.

SUMMARY OF THE NEW NOTES

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

Issuer.	Fantasia Holdings Group Co., Limited (the "Company").
New Notes Offered.	Subject to the results of the Exchange Offer, up to US$100,000,000 aggregate principal amount of 12.0% Senior Notes due 2020 (the "Notes").
Offering Price	100%
Maturity Date.	The date that is one and a half years after the Settlement Date of the Exchange Offer.
Interest.	The New Notes will bear interest at a rate of 12.0% per annum, payable semi-annually in arrears.
Ranking of the New Notes	The New 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 New Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations described under "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral" and "Description of the New Notes – The Subsidiary Guarantees and JV Subsidiary Guarantors;" • effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

	After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral," the New Notes will: • be entitled to the benefit of a lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement among the holders of the Existing Pari Passu Secured Indebtedness and the holders of other Permitted Pari Passu Secured Indebtedness; and • rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the New Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).
Subsidiary Guarantees.	Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New Notes. The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Fantastic Victory Limited, Wisdom Regal Limited, Fantasia Financial Community Group Co., Ltd. (花樣年社區金融集團有限公司), Fantasia Investment Holdings Company Limited, Joytime Investment Limited, Fantasia Financial Community Group (Hong Kong) Co., Limited (花樣年社區金融集團(香港)有限公司) and Hong Kong Huawanli Trading Co., Ltd.. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC, the Unrestricted Subsidiaries and the PRC Non-Guarantor Subsidiaries will be a Subsidiary Guarantor on the Original Issue Date. All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. See "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral – Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees."

Any future Restricted Subsidiary, as defined under "Description of the New Notes – Certain Definitions" (other than subsidiaries organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), will guarantee the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Company.

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

Ranking of Subsidiary Guarantees . .	The Subsidiary Guarantee of each Subsidiary Guarantor: • is a general obligation of such Subsidiary Guarantor; • is effectively subordinated to secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral); • is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and • ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law). After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral," the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor will: • be entitled to the benefit of a security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement among the holders of the Existing Pari Passu Secured Indebtedness and the holders of other Permitted Pari Passu Secured Indebtedness; and • rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).
Ranking of JV Subsidiary Guarantees	A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor concurrently with the consummation of (x) a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20% of the issued Capital Stock of such Restricted Subsidiary or (y) a purchase of the Capital Stock of an Independent Third Party such that it becomes a Subsidiary and is designated a Restricted Subsidiary. No JV Subsidiary Guarantee exists as of the Original Issue Date.

	The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will: • be a general obligation of such JV Subsidiary Guarantor; • be enforceable only up to the JV Entitlement Amount; • be effectively subordinated to secured obligations (if any) of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment of such JV Subsidiary Guarantee; and • be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).
Security to be Granted	The Company has agreed, for the benefit of the holders of the New Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of each initial Subsidiary Guarantor (collectively, the "Collateral") in order to secure the obligations of the Company under the New Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. The Collateral securing the New Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement, as supplemented, entered into by the holders of the New Notes, the holders of the January 2013 Notes, the holders of the May 2016 Notes, the holders of the October 2016 Notes, the holders of the June 2017 Notes, the holders of the July 2017 Notes, the holders of the February 2018 Notes, the holders of the March 2018 Notes, the holders of the Existing Notes, the holders of the July 2018 Notes and the holders of other Permitted Pari Passu Secured Indebtedness (subject to conditions of completion and accession to the Intercreditor Agreement) on the date the New Notes are issued. See "Description of the New Notes – Security."

Intercreditor Agreement	The Company, the Subsidiary Guarantor Pledgors and the Collateral Agent, among others, entered into an Intercreditor Agreement dated September 27, 2012, to which the holders of the Existing Pari Passu Secured Indebtedness have acceded to. The trustee for the New Notes will accede to the Intercreditor Agreement on the Original Issue Date, which provides that the security interests held in the Collateral will be shared on a *pari passu* basis among the holders of the New Notes, the holders of the Existing Pari Passu Secured Indebtedness and the holders of the Permitted Pari Passu Secured Indebtedness. If all Existing Notes are validly tendered under the Exchange Offer, the trustee of the Existing Notes will be released as a party to the Intercreditor Agreement.
Use of Proceeds	We will not receive any cash proceeds from the Exchange Offer.
Optional Redemption	At any time prior to Maturity Date, the Company may at its option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus the Applicable Premium (as defined under "Description of the New Notes") 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 Maturity Date, the Company may redeem up to 35% of the aggregate principal amount of the New Notes at a redemption price of 112.0% of the principal amount of the New Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of its capital stock, subject to certain conditions.
Repurchase of New Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding New 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, the Company may redeem the New Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the New Notes – Redemption for Taxation Reasons."
Covenants	The New Notes, the Indenture and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the New Notes – Certain Covenants."
Transfer Restrictions	The New Notes will not be registered under the U.S. Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."

Form, Denomination and Registration	The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositary for Euroclear and Clearstream.
Clearance and Settlement	The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants, including Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "Description of the New Notes – Book-Entry; Delivery and Form."
Delivery of the New Notes	The Company expects to make delivery of the New Notes, on the Settlement Date.
New Notes Trustee	Citicorp International Limited.
Paying and Transfer Agent and Note Registrar.	Citibank N.A., London Branch.
Collateral Agent	Citicorp International Limited.
Listing	Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New 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 New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Governing Law	The New Notes and the Indenture governing the New Notes will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see "Risk Factors."
Security Codes	We have made an application for new ISIN and Common Code for the New Notes.

SUMMARY TIMETABLE

The following summarizes the current schedule for the Exchange Offer. Please note that the expiration of the Exchange Offer and the settlement of the New Notes, as well as the other events listed below, may be earlier or later than indicated below. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this exchange offer memorandum.

In relation to the times and dates indicated below, Eligible Holders of the Existing Notes should note the particular practices and policies of the relevant Clearing System regarding their communications deadlines, which will determine the latest time at which tenders of the Existing Notes for exchange may be delivered to the relevant Clearing System (which may be earlier than the deadlines set forth below) so that they are received by the Information and Exchange Agent within the deadlines set forth below.

All notices to Eligible Holders of the Existing Notes will be released through delivery to the Clearing Systems for communication to direct participants.

Date	Event
December 10, 2018	Commencement of the Exchange Offer. Exchange offer memorandum will be made available to Eligible Holders of the Existing Notes.
December 14, 2018 (4:00 p.m., London time)	Exchange Expiration Deadline. This being the last date and time on which Eligible Holders of the Existing Notes who validly tender Existing Notes are eligible to receive the relevant Exchange Consideration, as this is the last date and time for Eligible Holders of the Existing Notes to participate in the Exchange Offer. If all outstanding existing notes are validly tendered before 4:00 p.m., London time on December 14, 2018, the exchange expiration deadline may be set at such earlier time at our sole discretion.
As soon as practicable after the Exchange Expiration Deadline . . .	Announcement of the amount of tenders for exchange received prior to the Exchange Expiration Deadline, and the final total aggregate principal amount of the New Notes to be issued to Eligible Holders in exchange for the Existing Notes validly tendered, accepted and exchanged. Settlement of the New Notes, delivery of the Exchange Consideration to Eligible Holders whose Existing Notes have been validly tendered and accepted for exchange.
Within three business days after the Settlement Date.	Listing of the New Notes on the SGX-ST.

All references in this exchange offer memorandum to times are to London time, unless we state otherwise. The above dates are indicative only.

We reserve the right to extend the Exchange Expiration Deadline at our sole discretion. In such a case, the date on which the notice of the results of the Exchange Offer will be delivered and the Settlement Date will be adjusted accordingly. The Eligible Holders of the Existing Notes should inform themselves of any earlier deadlines that may be imposed by the Clearing Systems and/or any intermediaries, which may affect the timing of the submission of a notice of exchange.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of comprehensive income data for 2015, 2016 and 2017 and the summary consolidated statement of financial position data as of December 31, 2015, 2016 and 2017 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte Touche Tohmatsu ("Deloitte"), the independent certified public accountants, and included elsewhere in this exchange offer memorandum. The summary consolidated income statement and other financial data for the six months ended June 30, 2017 and 2018 and the summary consolidated balance sheet data as of June 30, 2018 set forth below (except for EBITDA data) have been derived from our unaudited interim condensed consolidated financial information for such period and as of such date, as reviewed by Deloitte in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Results for the interim period are not indicative of the results for the year. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this exchange offer memorandum.

Summary Consolidated Statement of Comprehensive Income and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(USD) (unaudited) (in thousands)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
Revenue	8,164,297	10,920,638	9,782,568	1,478,377	3,637,259	5,195,511	785,164
Cost of sales	(5,645,554)	(7,392,156)	(6,884,964)	(1,040,481)	(2,527,895)	(3,877,542)	(585,988)
Gross profit	2,518,743	3,528,482	2,897,604	437,896	1,109,364	1,317,969	199,176
Other income, gains and losses	(108,360)	(585,172)	1,009,049	152,491	185,396	(217,546)	(32,876)
Change in fair value of investment properties	713,887	405,076	966,184	146,013	407,411	195,009	29,470
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	175,922	478,005	118,589	17,922	122,567	236,744	35,778
Selling and distribution expenses	(318,594)	(222,772)	(417,872)	(63,150)	(113,075)	(157,181)	(23,754)
Administrative expenses	(741,241)	(851,273)	(1,229,847)	(185,859)	(573,692)	(689,868)	(104,255)
Finance costs	(302,340)	(932,238)	(1,279,587)	(193,376)	(609,782)	(814,317)	(123,063)
Share of results of associates	626	(2,528)	8,843	1,336	21,071	16,866	2,549
Share of results of joint ventures	(7,324)	48,504	167,670	25,339	29,716	(21,741)	(3,286)
Gain on disposal of subsidiaries	790,039	640,080	326,285	49,309	98,820	766,779	115,878
Profit before taxation	2,721,358	2,506,164	2,566,918	387,921	677,796	632,714	95,617
Income tax expense	(1,318,542)	(1,441,816)	(1,157,207)	(174,881)	(521,392)	(452,803)	(68,429)
Profit for the year	1,402,816	1,064,348	1,409,711	213,041	156,404	179,911	27,189
Profit for the year attributable to:							
Owners of the Company	1,210,610	805,736	1,154,316	174,444	81,270	102,841	15,542
An owner of perpetual capital instrument	63,875	37,550	–	–	–	–	–
Other non-controlling interests	128,331	221,062	255,395	38,596	75,134	77,070	11,647
	1,402,816	1,064,348	1,409,711	213,041	156,404	179,911	27,189
Other Financial Data							
EBITDA[(1)]	3,611,080	3,946,773	3,971,648	600,209	1,139,451	1,518,132	229,443
EBITDA margin[(2)]	44%	36%	41%	41%	31%	29%	29%

Notes:

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

(2) *EBITDA margin is calculated by dividing EBITDA by revenue.*

Summary Consolidated Statement of Financial Position

	As of December 31,				As of June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
				(in thousands)			
Non-current Assets							
Property, plant and equipment	1,766,869	2,078,272	2,611,084	394,596	2,146,326	2,684,319	405,664
Investment properties	6,884,931	6,981,839	10,194,164	1,540,579	8,008,952	10,777,165	1,628,684
Interests in associates	6,789	735,336	1,174,908	177,556	834,947	1,309,435	197,887
Interests in joint ventures	410,044	951,667	1,060,057	160,200	1,133,325	673,621	101,800
Available-for-sale investment	–	30,215	117,663	17,782	32,318	–	–
Equity instruments designated at FVTOCI	–	–	–	–	–	150,635	22,765
Goodwill	733,549	912,750	2,299,758	347,548	878,242	2,303,370	348,094
Intangible assets	204,474	259,248	1,319,901	199,468	247,898	1,249,588	188,842
Prepaid lease payments	868,698	1,765,515	754,720	114,056	354,785	340,119	51,400
Premium on prepaid lease payments .	172,169	1,592,486	1,268,992	191,775	1,278,602	1,259,376	190,321
Land development expenditure	–	–	–	–	–	–	–
Other receivables	376,841	244,038	167,624	25,332	165,330	157,040	23,732
Deposits paid for acquisition of subsidiaries	231,329	267,130	799,606	120,839	834,422	1,108,541	167,527
Deposits paid for acquisition of a property project	140,946	159,073	159,214	24,061	159,214	159,214	24,061
Deposit paid for acquisition of land use rights	1,050,077	1,095,077	118,103	17,848	1,104,492	342,887	51,818
Deferred tax assets	462,161	466,577	461,990	69,818	508,096	504,438	76,232
	13,308,877	17,539,223	22,507,784	3,401,458	17,686,949	23,019,748	3,478,827
Current Assets							
Inventories	–	80,414	194,655	29,417	120,225	330,542	49,953
Properties for sale	21,801,648	15,347,979	23,777,966	3,593,412	16,953,660	28,547,372	4,314,182
Prepaid lease payments	34,274	48,151	18,228	2,755	12,468	12,455	1,882
Premium on prepaid lease payments .	3,678	28,744	19,233	2,907	19,233	19,233	2,907
Contract assets	–	–	–	–	–	142,011	21,461
Contract costs.	–	–	–	–	–	181,256	27,392
Trade and other receivables	4,604,047	4,604,211	4,129,404	624,050	4,307,948	4,976,379	752,048
Amounts due from customers for contract works	88,937	73,627	104,079	15,729	128,129	–	–
Tax recoverable	107,594	96,458	85,990	12,995	127,297	101,435	15,329
Financial assets at fair value through profit or loss	19,200	127,275	234,460	35,432	217,750	113,644	17,174
Amount due from a joint venture . .	180,258	355,775	362,935	54,848	533,306	72,059	10,890
Amount due from associates	–	–	27,567	4,166	30,045	18,284	2,763
Amount due from non-controlling shareholders of the subsidiaries of the Company	–	82,330	1,052,812	159,105	985,853	586,376	88,615
Amount due from related parties . .	184,782	233,726	–	–	38,809	–	–
Restricted/pledged bank deposits . .	1,336,482	1,997,824	2,106,552	318,350	1,226,737	1,826,400	276,012
Bank balances and cash	2,881,511	9,136,526	14,335,074	2,166,368	8,588,772	20,783,247	3,140,839
	31,242,411	32,213,040	46,448,955	7,019,534	33,290,232	57,710,693	8,721,447

	As of December 31,				As of June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited) (in thousands)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
Current Liabilities							
Trade and other payables	6,626,928	4,445,008	9,282,468	1,402,800	4,945,851	8,725,138	1,318,574
Deposits received for sale of properties	5,555,880	2,817,149	5,503,060	831,642	3,353,050	–	–
Amounts due to customers for contract works	17,141	16,746	13,778	2,082	13,561	–	–
Contract liabilities	–	–	–	–	–	10,017,226	1,513,839
Amount due to a non-controlling shareholder	390,199	310,438	–	–	–	217,952	32,938
Amounts due to joint ventures and associates	1,033,916	1,335,495	23,513	3,553	493,981	277,451	41,929
Tax liabilities	3,626,109	4,151,634	4,431,080	669,641	4,186,950	4,171,313	630,384
Borrowings – due within one year	1,407,598	929,458	3,022,026	456,699	1,657,247	5,538,267	836,963
Obligations under finance leases	22,101	23,610	51,693	7,812	23,057	52,244	7,895
Senior notes	1,004,105	1,575,183	4,484,610	677,730	5,286,365	4,421,452	668,186
Assets backed securities issued	–	37,642	42,533	6,428	20,589	50,028	7,560
Defined benefit obligation	–	5,171	220	33	5,212	182	28
Provision	–	37,154	40,131	6,065	43,483	35,139	5,310
	19,683,977	15,704,688	26,895,112	4,064,485	20,029,346	33,506,392	5,063,606
Net Current Assets	11,558,434	16,508,352	19,553,844	2,955,047	13,260,886	24,204,301	3,657,841
Total Assets less Current Liabilities	24,867,311	34,047,575	42,061,628	6,356,505	30,947,835	47,224,049	7,136,668
Non-Current Liabilities							
Amount due to a non-controlling shareholder	329,721	–	–	–	–	–	–
Deferred tax liabilities	1,071,358	1,236,629	1,754,528	265,151	1,372,766	1,934,028	292,277
Borrowings – due after one year	2,556,814	2,438,008	6,841,619	1,033,930	1,652,768	9,666,666	1,460,861
Obligations under finance leases	104,979	88,538	259,299	39,186	74,934	276,485	41,783
Derivative financial instrument	22,673	–	–	–	–	–	–
Senior notes	8,508,474	16,804,442	15,320,332	2,315,264	13,452,254	17,370,491	2,625,091
Assets backed securities issued	–	237,442	185,204	27,989	231,796	252,988	38,232
Defined benefit obligation	–	121,781	2,615	395	130,240	2,681	405
Provision	33,255	–	–	–	–	–	–
	12,627,274	20,926,840	24,363,597	3,681,915	16,914,758	29,503,339	4,458,649
	12,240,037	13,120,735	17,698,031	2,674,590	14,033,077	17,720,710	2,678,018
Capital and Reserves							
Share capital	497,797	497,848	497,868	75,240	497,868	497,945	75,251
Reserves	9,910,694	10,457,503	12,139,049	1,834,497	10,298,416	11,868,329	1,793,585
Equity attributable to owners of the Company	10,408,491	10,955,351	12,636,917	1,909,737	10,796,284	12,366,274	1,868,836
Perpetual capital instrument	710,500	–	–	–	–	–	–
Other non-controlling interests	1,121,046	2,165,384	5,061,114	764,854	3,236,793	5,354,436	809,182
Total non-controlling interests	1,831,546	2,165,384	5,061,114	764,854	3,236,793	5,354,436	809,182
	12,240,037	13,120,735	17,698,031	2,674,590	14,033,077	17,720,710	2,678,018

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

Risks Relating to the Exchange Offer Generally

Upon consummation of the Exchange Offer, liquidity of the market for outstanding Existing Notes may be substantially reduced, and market prices for outstanding Existing Notes may decline as a result

The trading market for Existing Notes that are not exchanged for New Notes could become more limited than the existing trading market for the Existing Notes and could cease to exist altogether due to the reduction in the principal amount of the Existing Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Existing Notes. If a market for Existing Notes that are not exchanged exists or develops, the Existing Notes may trade at a discount to the price at which they would trade if the principal amount outstanding were not reduced. There can be no assurance that an active market in the Existing Notes will exist, develop or be maintained, or as to the prices at which the Existing Notes may trade, after the Exchange Offer is consummated.

We expressly reserve the right to purchase any Existing Notes that remain outstanding after the consummation of the Exchange Offer

Whether or not the Exchange Offer is consummated, we expressly reserve our absolute right, at our sole discretion, from time to time to redeem or purchase any Existing Notes that remain outstanding after the consummation of the Exchange Offer through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from the Exchange Offer and could be for cash or other consideration, or to exercise any of our other rights, including redemption rights, under the indenture governing the Existing Notes.

The Exchange Offer may be cancelled, delayed or amended

We are not obligated to complete the Exchange Offer under certain circumstances and unless and until certain conditions are satisfied or waived, the Exchange Offer may be terminated, as described more fully below in "Description of the Exchange Offer – Conditions to the Exchange Offer." Even if the Exchange Offer is completed, it may not be completed on the schedule described in this exchange offer memorandum. Accordingly, participating Eligible Holders may have to wait longer than expected to receive their Exchange Consideration (or to have their Existing Notes returned to them in the event that we terminate the Exchange Offer), during which time those Eligible Holders will not be able to effect transfers of their Existing Notes tendered in the Exchange Offer. In addition, subject to applicable laws, we have the right to amend the terms of the Exchange Offer prior to the Exchange Expiration Deadline.

We may choose to terminate or amend certain parts of the Exchange Offer, but retain other aspects unchanged. In particular, we may terminate the Exchange Offer or amend the terms of the Exchange Offer with respect to the Existing Notes, including the relevant timing of the Exchange Offer. In such event, we will issue announcements of such decisions accordingly.

The Exchange Consideration to be received in the Exchange Offer does not reflect any market valuation of the Existing Notes or the New Notes

We have made no determination that the consideration to be received in the Exchange Offer represents a fair valuation of the Existing Notes or the New Notes. The Exchange Consideration should not be construed as assurance or an indication of, and may not accurately reflect, the current or future market value of the Existing Notes or the New Notes. We have not obtained a fairness opinion from any financial advisor about the fairness to us or to you of the consideration to be received by holders of the Existing Notes. Accordingly, none of us, our board of directors, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager, the Information and Exchange Agent and any other person is making any recommendation as to whether you should tender any Existing Notes for exchange in the Exchange Offer.

Your decision to tender any Existing Notes for the Exchange Consideration may expose you to the risk of nonpayment for a longer period of time

The Existing Notes mature on June 4, 2019. The New Notes will mature in 2020. If you tender Existing Notes for New Notes and, following the maturity date of your tendered Existing Notes but prior to the maturity date of the New Notes, we were to become subject to a bankruptcy or similar proceedings, the holders of such earlier-maturing Existing Notes who did not exchange their Existing Notes for New Notes could be paid in full prior to such event and there would exist a risk that holders of the Existing Notes who exchanged their Existing Notes for later-maturing New Notes would not be paid in full, if at all. Your decision to tender your Existing Notes for later-maturing New Notes should be made with the understanding that the lengthened maturity of such New Notes exposes you to the risk of nonpayment for a longer period of time.

Eligible Holders of the Existing Notes may not withdraw their instructions except as required by applicable law

Instructions in connection with the exchange offer are irrevocable. Eligible Holders who tender their Existing Notes may not withdraw their instructions to exchange for the applicable Exchange Consideration except in limited circumstances as required by applicable law as described in this exchange offer memorandum.

Withdrawal rights will only be provided as, and if, required by applicable law. As a result, there may be an unusually long time during which Eligible Holders of Existing Notes may be unable to effect transfers of their Existing Notes tendered for exchange.

You are responsible for complying with the procedures of the Exchange Offer. You may not receive Exchange Consideration in the Exchange Offer if the procedures for the Exchange Offer are not followed

Eligible Holders are responsible for complying with all of the procedures for offerings to exchange the Existing Notes. We will issue New Notes in exchange for your Existing Notes only if you tender the applicable Existing Notes and deliver a properly submitted electronic instruction through Euroclear or Clearstream, as applicable. You should allow sufficient time to ensure timely delivery of the electronic instruction and the necessary documents. None of the Company, the

Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager and the Information and Exchange Agent assumes any responsibility for informing the holders of the Existing Notes of irregularities in any electronic instruction to Euroclear or Clearstream, as applicable, or with respect to the acceptance of offers to exchange. Prior to the Settlement Date, no assurance can be given that the Exchange Offer will be completed. This may depend upon the satisfaction or waiver of the conditions of the Exchange Offer. Upon giving a blocking instruction relating to the securities account where Existing Notes are held in a relevant Clearing System, Eligible Holders should be aware that they may not transfer title to such Existing Notes to other persons and may suffer losses if the market price of the Existing Notes changes and the Exchange Offer, in respect of that holder or generally, is not completed for whatever reason.

Eligible Holders holding the Existing Notes in Euroclear or Clearstream should note the particular practices and policies of Euroclear or Clearstream, as applicable, regarding their communications deadlines, which will determine the latest time at which tenders of the Existing Notes for exchange may be delivered to Euroclear or Clearstream, as applicable, (which may be earlier than the deadlines set forth in this exchange offer memorandum) so that they are received by the Information and Exchange Agent in respect of the Exchange Offer within the deadlines set forth in this exchange offer memorandum. None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager and the Information and Exchange Agent will be responsible for the communication of acceptances and corresponding instruction notices by:

- beneficial owners to the direct participant through which they hold the Existing Notes; or
- the direct participant to the Euroclear or Clearstream, as applicable.

If you are the beneficial owner of the Existing Notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee or custodian, and you wish to tender in the Exchange Offer, you should promptly contact the person in whose name your Existing Notes are registered and instruct that person to tender on your behalf and to properly follow the procedures. Additionally, it is important to note that all references in this exchange offer memorandum to times are to London times, unless we state otherwise.

Your Existing Notes generally will be blocked from the date of instruction until the earlier of (i) consummation and (ii) termination

Participating Eligible Holders should be mindful that they are authorizing the relevant Clearing System to block their position in the Existing Notes until the Settlement Date, or termination or withdrawal of the Exchange Offer, as applicable.

Eligible Holders are responsible for compliance with the exchange and transfer restrictions

Each Eligible Holder of the Existing Notes is referred to the restrictions herein relating to the Exchange Offer and any transfer of the New Notes. Non-compliance with these restrictions could result in, among other things, the rejection to exchange, unwinding of trades and/or heavy penalties.

We did not perform any tax analysis regarding the tax consequences of the exchange offer to investors

This exchange offer memorandum does not discuss the tax consequences to Eligible Holders and beneficial owners of the Exchange Offer. Eligible Holders and beneficial owners are urged to consult their own independent financial or other professional advisors regarding possible tax consequences of the Exchange Offer (including the exchange of Existing Notes for New Notes) to them under the laws of any relevant jurisdiction. Such Eligible Holders and beneficial owners are liable for their own taxes and have no recourse to us, the Subsidiary Guarantors, the Dealer Manager, the Information and Exchange Agent, the Existing Notes Trustee, the Collateral Agent or the New Notes Trustee with respect to taxes arising in connection with the Exchange Offer.

Risks Relating to Our Business

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

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

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

Sales in the Chengdu-Chongqing and Pearl River Delta regions accounted for a significant portion of our total contracted sales in 2015, 2016 and 2017. In recent years, an increasing number of property developers have begun property development in Chengdu-Chongqing and Pearl River Delta regions and elsewhere in the PRC. These include overseas property developers (including a number of leading Hong Kong property developers), and developers from other parts of the PRC, some of which may have better track records and greater financial and other resources than us. The intensity of the competition between property developers for land, financing, raw materials and skilled management and labor resources, in regions or cities where we operate, in particular, in the Chengdu-Chongqing and Pearl River Delta regions, may result in increased costs for the acquisition of land for development, an oversupply of properties in certain parts of the PRC, including the Chengdu-Chongqing and Pearl River Delta regions, a decrease in property prices and a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, any of which may adversely affect our business and financial position. In addition, the property market in the Chengdu-Chongqing and Pearl River Delta regions and elsewhere in the PRC is rapidly changing. If we cannot respond to changes in market conditions more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

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

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

Various PRC regulations aimed at curtailing the property market and rising corporate debts may restrict our ability to raise capital through external financing and other methods, including without limitation, the following:

- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;

- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the purchase of land use rights;

- we cannot borrow from a PRC bank for a particular project unless we fund at least 20% of the estimated total capital required for that project from our own capital;

- we cannot borrow from a PRC bank for a particular project unless we obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit for that project;

- PRC banks are restricted from granting loans for the development of luxury residential properties;

- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located; and

- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans.

In addition, PBOC has adjusted the reserve requirement ratio for commercial banks six times in 2010, seven times in 2011 and twice in 2012. The reserve requirement ratio for commercial banks currently ranges from 10.5% to 20% with effect from May 18, 2012. From January 2014 to February 2016, PBOC further adjusted the reserve requirement ratio eight times to the current ratio ranges from 15.0% to 16.5%. Changes in the reserve requirement ratio affect the amount of funds that banks must hold in reserve against deposits made by their customers. Increase in such reserve requirement ratio will reduce the amount of commercial bank credit available to businesses in China, including us. In November 2009, the PRC government raised the minimum down payment for land premiums to 50% and in March 2010, the Ministry of Land and Resources stipulated that the minimum down payment of land premium of 50% should be paid within one month after the signing of a land grant contract and the rest of the land premium should be fully paid within one year after the signing of a land grant contract. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction.

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

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

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

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

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

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

More recently, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. On June 23, 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 UK, the EU and globally. The uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

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

Our business may be adversely affected by changes in interest rates

We rely on borrowings to finance a substantial part of our project developments. Currently, our borrowings primarily consist of loans from commercial banks in China. Many of our customers also need to finance their purchase of our properties through mortgage loans. Interest rates in the PRC have decreased several times recently. The PBOC has adjusted the benchmark one-year lending rate numerous times in the past in response to the changing PRC and global financial and economic conditions. The benchmark one-year lending rate is currently 4.35%. We cannot assure you that the PBOC will decrease the benchmark one-year lending rate or that the interest rates at which financing will be available to us or our customers will decrease in the future. In addition, we cannot predict if and when interest rate in the PRC may increase. Any increase in the interest rates will increase our finance costs and also increase the costs of our customers to purchase our properties with mortgages and therefore adversely affect our business, financial conditions and results of operation. See "– The terms on which mortgages are available, if at all, may affect our sales."

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

We maintain a certain level of indebtedness to finance our operations. As of June 30, 2018, the outstanding balance of our total debt (including aggregate outstanding borrowings, our senior notes, the 2015 Onshore Bonds, the 2016 Onshore Bonds and the 2017 Onshore Bonds) amounted to RMB37,306.5 million (US$5,637.9 million). We also issued July 2018 Notes. After the completion of this offering, we and our subsidiaries may incur additional debt, including Renminbi denominated borrowings or debt securities in China. Our indebtedness described above could have an adverse effect on us, such as:

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

- increasing our vulnerability to adverse general economic or industry conditions;

- limiting our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;

- limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding;

- restricting us from making strategic acquisitions or exploring potential business opportunities; and

- making it more difficult for us to satisfy our obligations with respect to our debt.

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

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

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

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

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

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

As of June 30, 2018, we had entered into certain framework agreements in relation to acquisition of parcels of land with an aggregate planned GFA of approximately 6,163,624 square meters with third parties or with local governments in which the projects are located. There are significant risks with respect to these potential new projects as further agreements are required to be entered into in order for us to obtain the respective land use rights for the land parcels specified in the preliminary framework agreements. In addition, in order to obtain the land use rights for some of these potential new projects, we will be required to go through public tender, auction or listing-for-sale processes in accordance with the relevant PRC regulations. We may not be able to successfully obtain the land use rights for the lands specified in the preliminary framework agreements through such processes or obtain the land use rights that can be used for the same purpose as those indicated in the preliminary framework agreements. If we fail to obtain the land use rights certificates for these parcels of land or other parcels of land in which we may acquire an interest in the future, we will not be able to develop and sell properties on such land. We may not be able to acquire replacement parcels of land on terms acceptable to us, or at all, which could have a material adverse effect on our future prospects, business, financial condition and results of operations.

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

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

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

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

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

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

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

In addition, we face intense competition as to our property operation services business and hotel services business at the national, regional and local levels. Competition in such businesses is based on quality of services, brand name recognition, geographic coverage, commission rates and range of services. Unlike property development business, such businesses have a low entry barrier and do not require significant capital commitments. This low entry barrier allows new competitors to enter into the market with relative ease. New and existing competitors may offer competitive rates, greater convenience or superior services, which could attract our customers away from us. Competition among companies providing such services may cause a decrease in commission rates and higher costs to attract or retain talented employees. Furthermore, our relative competitive position varies significantly by service type and geographic area. Certain of our competitors may be smaller than us but may be more established and have greater market presence and brand name recognition on a local or regional basis, while certain competitors are large national and international firms that may have more financial or other resources than us. If we fail to compete effectively, our property operation services business and hotel services business may suffer and our results of operations may be materially and adversely affected.

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

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

The CBRC issued a regulation on September 2, 2004 to limit mortgage loans on properties to no more than 80% of the sale price of the underlying properties. On March 17, 2005, the PBOC set forth the minimum interest rate for property mortgage loans to 0.9 times the corresponding benchmark lending rates, resulting in an increase in the minimum interest rate for mortgages. In May 2006, the PRC government increased the minimum amount of down payment to 30% of the purchase price for properties with a GFA of more than 90 square meters. In September 2007, the minimum down payment for any purchase of second or subsequent residential property was increased to 40% of the purchase price if the purchaser had obtained a bank loan to finance the purchase of his or her first property. Moreover, the interest rate for bank loans for such purchases shall not be less than 110% of the PBOC benchmark lending rate of the same term and category. For further purchases of properties, there would be upward adjustments on the minimum down payment and interest rate for any bank loan. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In December 2007, the PBOC and CBRC issued another notice to clarify that, in determining the applicability of the relevant restrictions, the number of mortgage loans deemed to have been borrowed by a borrower shall include mortgage loans borrowed by any member of his or her family. In October 2008, in response to the global financial and economic crisis, the PBOC decreased the minimum amount of down payment for residential property purchases to 20% and reduced the minimum interest rate for mortgage loans for such purchases to 70% of the benchmark lending rate. However, despite such decrease in lending requirements, certain PRC banks have implemented their own internal restrictive conditions which limited the number of borrowers that can take advantage of the reduced requirements as announced by the PBOC. On April 17, 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 square meters. Further, pursuant to such notice, the interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. On September 29, 2010, the PBOC and the CBRC issued a notice, under which, the minimum down payment for all first home purchases is increased to 30% of the purchase price. On January 26, 2011, the State Council issued a notice in which the minimum down payment is raised to 60% of the purchase price for second-house purchases with the minimum loan interest rate at 110% of the benchmark rate. In October 2011, a number of PRC domestic banks raised the mortgage rates for first-time home buyers by a minimum of 5%. In addition, due in large part to the PRC government's credit tightening policies, the bank approval process for a mortgage loan application in 2011 generally took longer than before. On February 26, 2013, the General Office of the State Council announced that for cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. In the third quarter of 2013, there has been a further increase on the down payment ratio of second home purchase mortgages. On September 29, 2014, the PBOC and the CBRC issued a notice to provide that (i) the minimum mortgage loan interest rate for first-time purchasers of residential property is 70% of the benchmark lending interest rate; (ii) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (iii) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. On March 30, 2015, the PBOC, the CBRC and the MOHURD jointly issued a notice that provides a household that owns a residential property and has not paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. On February 1, 2016, the PBOC and the CBRC issued a notice that provides the minimum down payment is 25% and the local policy can 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%. In the event that mortgage loans for property purchases becomes more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on such financing may not be able to purchase our properties, which in turn will materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

As the result of economic growth and the boom in the property industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced substantial increases in recent years. In addition, the PRC Labor Contract Law (中華人民共和國勞動合同法) promulgated on December 28, 2012 and took effect on July 1, 2013, enhanced the protection for employees and increased employers' liability which may further increase our labor costs. Under the terms of most of our construction contracts, the construction contractors are responsible for the wages of construction workers and procuring construction materials for our property development and bear the risk of fluctuations in wages and construction material prices during the term of the relevant contract. However, we are exposed to the price volatility of labor and construction materials to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span over several years, or if we choose to hire the construction workers directly or purchase the construction materials directly from suppliers. We are also exposed to the price volatility of building equipment used in properties developed by us because we usually procure such equipment ourselves. Furthermore, we typically pre-sell our properties prior to their completion and we will be unable to pass the increased costs on to purchasers of our properties if the construction costs increase subsequent to the time of such pre-sale. If we are unable to pass on any increase in the cost of labor, construction materials and building equipment to either our construction contractors or to the purchasers of our properties, our results of operations may be adversely affected.

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

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

As of June 30, 2018, we had 18 project companies that were, or expected to be, engaged in the property development business, of which 14 had obtained formal qualification certificates and 4 had obtained provisional qualification certificates. If any of our project companies that are, or expect to be, engaged in property development business is unable to meet the relevant requirements and therefore unable to obtain or renew its provisional qualification certificate, obtain its formal qualification certificate when its provisional qualification certificate expires, or pass the annual verification of its formal qualification certificate, such project company will be given a deadline within which it has to meet these requirements and it will also be subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the deadline could result in the revocation of the qualification certificate and the business license of the relevant project company. We cannot assure you that we will be able to pass the annual verification of the qualification certificates of each of our project companies or that we will be able to renew our provisional qualification certificates or obtain formal qualification certificates in a timely manner, or at all, as and when the provisional qualification certificates expire. As of June 30, 2018, the qualification certificates for some of our property development companies had expired and were in the process of renewal.

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

As of June 30, 2018, all of our major PRC subsidiaries engaged in the property operation services, hotel services and property investment businesses had obtained or were in the process of obtaining the required qualification certificates. We cannot assure you that our PRC subsidiaries engaged in the property operation services, hotel services and property investment businesses will be able to pass the annual verification of their qualification certificates or that we will be able obtain new qualification certificates for our subsidiaries that may engage in the property operation services, hotel services and property investment businesses in the future.

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

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

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

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

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

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

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

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

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

We may expand our business into new segments of the property industry in the PRC as well as continue to expand the property services businesses that we currently operate including, among others, financial leasing, community P2P financial business, retirement life services, community O2O ecosystency, smart home security services system and educational consultancy businesses. While we have accumulated experience in property development and in providing property operation services and property agency services, we cannot assure you that we will be able to leverage such experience and replicate our historical success when entering into new businesses. The expansion of our existing property services businesses and the expansion into new businesses may require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment, the difficulties of integrating new businesses into our existing businesses and the diversion of resources and attention of our management. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been rapidly expanding our operations in recent years. For example, we invested in Wanda Property Management Co., Ltd. (萬達物業管理有限公司) ("Wanda Property Management"), which primarily provides property management services to the properties developed by Wanda Commercial Properties Co., Ltd. (大連萬達商業地產股份有限公司). We expect to provide property management consulting services to the residential and commercial properties under the management of Wanda Property Management. We expect that Colour Life and Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司), our subsidiary engaged in the provision of property management, asset operation and management for commercial properties, will benefit from the greater cooperation opportunity with Wanda Property Management. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

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

Investment properties are relatively illiquid compared to other types of investments such as publicly traded equity securities. As of December 31, 2015, 2016 and 2017, and June 30, 2018 we had investment properties amounting to RMB6,884.9 million, RMB6,981.8 million, RMB10,194.2 million and RMB10,777.2 million, respectively. As a result, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors that are beyond our control, including general economic conditions, the availability of mortgage financing and interest rates, and we cannot accurately determine the market price of our investment properties nor are we able to predict whether we will be able to sell any of our investment properties at the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to competition, age, decreased demand or other factors. Similarly, for certain investment properties to be sold, substantial capital expenditure may be required to correct defects or make improvements to the property due to factors such as change in building regulations or as a result of age, compounding the effort and time required. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

We arrange for various domestic banks to provide mortgage loans to the purchasers of our properties. According to market practice, domestic banks require us to guarantee these mortgage loans until the relevant property ownership certificates are issued, which generally takes place within one to two years after we deliver possession of the relevant property to the purchasers, or until the loans are fully repaid, at which time such guarantees are released. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks. As of December 31, 2015, 2016, 2017 and June 30, 2018, our outstanding guarantees on the mortgage loans of our purchasers amounted to RMB6,442.0 million, RMB6,258.2 million, RMB7,296.7 million and RMB8,464.7 million (US$1,279.2 million), respectively, which were approximately 14.5%, 12.6%, 10.6% and 10.5% respectively, of our total assets. The default rates on the mortgage loans provided to the purchasers of our properties against the total guarantees we provided in connection with such mortgage loans were negligible during the three-year period ended December 31, 2015, 2016 and 2017 and the six months period ended June 30, 2018. If a purchaser defaults under the mortgage loan and the mortgagee bank calls on our relevant guarantee after it deals with the relevant property through a default auction, we are required to repay the outstanding amount owed by the purchaser to the mortgagee bank under the mortgage loan, the mortgagee bank will assign its rights under the loan and the mortgage to us and we have full recourse to the property. Our business, results of operations and financial condition could be materially and adversely affected to the extent that there is a material depreciation in the value of the mortgaged properties or if we are unable to re-sell such properties due to unfavorable market conditions or other reasons.

Failure or delay in collecting trade receivables could materially and adversely affect our financial condition, results of operations and cash flow

As of December 31, 2015, 2016 and 2017, and as of June 30, 2018, our trade receivables were RMB1,317.2 million, RMB1,720.3 million, RMB2,082.0 million (US$314.6 million) and RMB2,010.5 million (US$303.8 million), respectively. Trade receivables primarily represented receivables from sales of properties. In addition, as of December 31, 2015, 2016 and 2017 and as of June 30, 2018, RMB280.1 million, RMB270.6 million, RMB452.7 million (US$68.4 million) and RMB580.7 million

(US$87.8 million) of our trade receivables were overdue but not impaired. We cannot assure you that we will be able to collect all trade receivables from all of our customers in full or in a timely manner, and our failure to do so may materially and adversely affect our financial conditions, results of operations and cash flows. In addition, we may incur expenses relating to the collection of our trade receivables, such as through legal proceedings.

Our results of operations may fluctuate from period to period

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that we have developed or that are under development are large scale and are developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our revenues for any given period. Our revenue increased by 42.8% from RMB3,637.3 million (US$549.7 million) in the six months ended June 30, 2017 to RMB5,195.5 million (US$785.2 million) in the six months ended June 30, 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Companies of the Six Months Ended June 30, 2018 to the Six Months Ended June 2017."

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

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

- disputes with our partners in connection with the performance of their obligations under the relevant project, joint venture or cooperative property development agreements;

- disputes as to the scope of each party's responsibilities under these arrangements;

- financial difficulties encountered by our partners affecting their ability to perform their obligations under the relevant project, joint venture or cooperative property development agreements with us; or

- conflicts between the policies or objectives adopted by our partners and those adopted by us.

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

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

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

Our subsidiary, ASIMCO Tianwei Fuel System (Tianjin) Company Limited ("ASIMCO Tianjin"), was subject to a pre-existing notice to pay a penalty for its delay in work commencement of its land in Wuqing District in Tianjin which has been paid off as of the date hereof. ASIMCO Tianjin obtained the construction works commencement permit from the competent governmental agency and commenced construction on December 29, 2016 for the land in question. Except as otherwise disclosed in this exchange offer memorandum, during the years ended December 31, 2015, 2016 and 2017 and June 30, 2018, we were not subject to any penalty for late payment of land premiums and were not required to forfeit any land nor have we received any warning from the relevant governmental authorities or paid any penalties as a result of failing to commence development within two years of the relevant land grant contract. While we have complied with all development plans and payment obligations, there have been circumstances where the development of a portion of land for which our Group was granted land use rights was delayed beyond the date stipulated in the relevant land grant contract. As confirmed by relevant government authorities, in each case such delays were caused by force majeure, acts of government or preliminary work that was required to be undertaken prior to the commencement of development. According to relevant PRC laws and regulations, any delay in the commencement of development that can be attributed to any of the above factors will not result in the forfeiture of idle land and land grant deposits, or the imposition of any other penalty. We cannot assure you that circumstances leading to forfeiture of land or delays in the completion of a property development may not arise in the future. If we are required to forfeit land, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover development costs and other costs incurred up to the date of forfeiture.

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

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

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

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to the land appreciation tax ("LAT") at progressive rates ranging from 30% to 60% of the "appreciated value of the property," as such term is defined in the relevant tax laws. There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible expense items allowed under the relevant LAT regulations. This exemption is not available for sales of luxury residential properties, villas and commercial properties. It is not clear whether the residential portion of our mixed residential and commercial developments will be eligible for the exemption available to ordinary residential properties. In 2015, 2016 and 2017 and as of June 30, 2018, we recorded an LAT expense in the amount of RMB342.5 million, RMB694.4 million, RMB557.6 million (US$84.3 million) and RMB90.7 million (US$13.7 million), respectively.

On December 28, 2006, the State Administration of Taxation (the "SAT") issued the LAT Notice, which became effective on February 1, 2007. The LAT Notice sets forth, among other things, methods of calculating LAT and a time frame for settlement of LAT. On May 12, 2009, the SAT issued the Provisions on Administration of the Settlement of Land Appreciation Tax (土地增值稅清算管理規程), which became effective on June 1, 2009 and stipulates in detail the procedures for settlement of LAT and methods of calculating LAT. Furthermore, in May 2010, the SAT issued two notices emphasizing issues concerning (i) income verification in connection with the settlement of LAT; (ii) the calculation of applicable exemptions under certain circumstances; and (iii) the minimum LAT prepayment rates applicable to different types of properties in different localities. We believe we have accrued all LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant PRC tax laws, less amounts previously paid under the levy method applied by relevant PRC local tax authorities. However, provisioning for LAT requires our management to use a significant amount of judgment with respect to, among other things, the anticipated total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the various deductible items. As a result, the relevant PRC local tax authorities may not agree with our estimates or the basis on which we calculate our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the relevant PRC local tax authorities in the future, our results of operations and cash flows will be materially and adversely affected.

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

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

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

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

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

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

We may suffer losses arising from uninsured risks

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

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

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

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

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

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

As of the date of this exchange offer memorandum, our controlling shareholder, Fantasy Pearl International Limited ("Fantasy Pearl") holds 57.51% of our outstanding shares. Fantasy Pearl, and our ultimate controlling shareholders, Ms. Zeng Jie, Baby and Ice Apex Limited ("Ice Apex"), have and will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our creditors', including the holders of the New Notes, best interests, including matters relating to our management and policies and the election of our directors and senior management. Ms. Zeng Jie, Baby and Ice Apex will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. For more information, see "Management," "Principal Shareholders," and "Related Party Transactions."

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

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

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

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

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

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

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

Under HKFRS, we are required to reassess the fair value of our completed investment properties at the date of every statement of financial position. Our valuations are generally based on a direct comparison approach, under which our investment properties are directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of capital values, and an income approach by taking into account the net rental income of properties. Gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. Our investment properties were revalued as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively, on an open market and existing use basis which reflected market conditions on those dates. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development and planned for future development, the valuations are based on assumptions that (1) the properties will be developed and completed in accordance with the development proposals, (2) regulatory and governmental approvals for the proposals have been obtained, (3) all premiums in connection with the properties have been paid and the properties are free of encumbrances and other restrictions and (4) we are in possession of the proper legal titles and are entitled to transfer the properties at no extra land premium. For properties owned by the project companies in which we have an attributable interest of less than 100%, the valuation assumes that the interest of the relevant project companies in the aggregate value of the property or business is equal to our proportionate ownership interest in the relevant company or business. Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values.

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

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

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

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

The PRC government's pilot plan to replace business tax with value-added tax ("VAT") may subject us to more taxes, which could adversely affect our business and future results of operations

Pursuant to the PRC Provisional Regulations on Business Tax, taxpayers providing taxable services falling under the category of service industry in China are required to pay a business tax at a normal tax rate of 5% of their revenues. In November 2011, the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. Pursuant to this pilot plan and relevant subsequent notices, from January 1, 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some of the modern service industries in China. Under the pilot plan, a VAT rate of 6% applies to certain modern service industries. On March 23, 2016, the Ministry of Finance and SAT promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-Added Tax to Replace Business Tax ("Circular 36"). Pursuant to Circular 36, starting from May 1, 2016, the VAT pilot program will cover the construction industry, the real estate industry, the finance industry and the life service industry on a nationwide basis. Although the VAT pilot program is mainly intended to reduce double taxation under the business tax system, we may be subject to more taxes under the VAT pilot program in connection with our operations and activities in China, which could adversely affect our business and future results of operations.

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

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

Risks Relating to Our Industry

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

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

On July 11, 2006, the MOC, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly issued the 171 Opinion which aims to regulate access by foreign investors to the domestic property market and to strengthen supervision over property purchases by foreign-invested enterprises. The 171 Opinion provides for, among other things, stricter standards for a foreign institution or an individual when purchasing real property in the PRC that is not intended for personal use. On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (the "Notice 50") and revised on October 28, 2015, which imposed additional restrictions and requirements on foreign investment in the real estate industry.

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

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

In 2016, municipal governments including Shenzhen, Wuxi and Suzhou adopted additional tightening measures. These measures include stricter examination and verification of the source of fund of a loan applicant's down payment, restricting the maximum monthly repayment to 50% of an applicant's income, regulating the use of housing provident fund commission loans for first and second home purchases based on home size and the minimum down payment, and tightening of supervision over and restricting home purchases by non-local residents.

Although the various control measures are intended to promote more balanced property development in the long term, we cannot assure you that these measures will not adversely affect the development and sales of our properties. In addition, although the PRC government has, due to the recent global financial and economic crisis, introduced an offsetting stimulus package, which included the reduction of deed taxes for first-time purchasers of ordinary residential property of less than 90 square meters, the waiver of stamp duty fees for individuals who are purchasing or selling ordinary residential properties, and the exemption of land appreciation tax for individuals who are selling ordinary residential properties, among other benefits, there is no assurance that such policy would remain and that the various control measures would not be re-implemented once the economy stabilizes, which may adversely affect our business, results of operations and financial condition.

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

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

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

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

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

Risks Relating to the PRC

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

Substantially all of our business and operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, financial condition, results of operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities. Further, 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. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. China's economic growth may slow due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC to respond with similarly sized tariffs on United States' products. The rhetoric surrounding the trade war continues to escalate and neither side has been willing to resume stalled trade negotiations. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected, which would have a material and adverse impact on our business, financial condition and results of operation. 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.

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

Our business and operations are primarily conducted in China and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. National Development and Reform Commission (the "NDRC") and the Ministry of Finance issued the Circular on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risks and Local Debt Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) effective on May 11, 2018 (the "Joint Circular") and on June 27, 2018, the NDRC issued a press release (the "Press Release") regarding responses from NDRC officials to an interview with respect to the Joint Circular. According to the Joint Circular and the relevant Press Release, the NDRC may further improve and strengthen the regulations on offshore debts. It is unclear how the Joint Circular and the Press Release will be implemented and if any detailed rules or regulations will be promulgated to achieve the goals mentioned in the Joint Circular and the Press Release. There is no assurance that offshore debts issued by property companies will not be further restricted and the PRC government may impose additional requirements or conditions for offshore debts. For example, we have registered the issuance of the New Notes with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within 10 working days in the PRC pursuant to the registration certificate. As the NDRC Notice is a relatively new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

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

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

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

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

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

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

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

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

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外滙管理辦法實施細則) issued on January 5, 2007 by SAFE and amended on May 29, 2016, and relevant notice issued by SAFE in February 2012, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to obtain the approval of SAFE and complete certain other procedures related to the share options or other share incentive scheme. However, no requirements or administrative rules have been issued by SAFE in connection with the registration process for employees of overseas non-listed companies that participate in employee stock holding plans or stock option plans. In addition, foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into a foreign currency account of such PRC citizen or exchanged into Renminbi. Our PRC citizen employees who may be granted share options or restricted share units in the future, or our future PRC option holders, will be subject to the Individual Foreign Exchange Rules. If we or our future PRC option holders fail to comply with these regulations, we or our future PRC option holders may be subject to fines and legal or administrative sanctions.

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

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

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

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

Risks Relating to the New Notes

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

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

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the New Notes. As a result, our payment obligations under the New Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the New Notes. As of June 30, 2018, our Non-Guarantor Subsidiaries had total debt in the amount of RMB14,011.9 million (US$2,117.5 million), capital commitments in the amount of RMB6,025.9 million (US$910.7 million) and contingent liabilities arising from guarantees in the amount of RMB8,465.0 million (US$1,279.3 million). The New Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the New Notes.

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

We may sell a significant amount of shares of capital stock of our PRC Non-Guarantor Subsidiaries that remain Restricted Subsidiaries immediately after the sale, if and when we consider appropriate

Under the terms of the New Notes, we will have the flexibility to sell a significant amount of shares of capital stock of one or more of our PRC Non-Guarantor Subsidiaries which hold all or substantially all of our properties and assets to independent third parties in an initial public offering and listing of the shares of capital stock of any such PRC Non-Guarantor Subsidiary, and have them remain Restricted Subsidiaries immediately after the sale as long as we own at least 30% equity interest in such PRC Non-Guarantor Subsidiaries immediately after the sale, if and when we consider appropriate and if our other senior notes that do not have this flexibility are fully redeemed or their terms are similarly amended. Unlike pursuant to the terms of senior notes issued by many comparable issuers in the market, such sale under the terms of the New Notes will (i) not be considered a sale of "all or substantially all" of our assets under the Indenture and thus be exempted from key requirements of the "Consolidation, Merger and Sale of Assets" covenant, and (ii) not constitute a "Change of Control" under the Indenture.

As these PRC Non-Guarantor Subsidiaries will remain Restricted Subsidiaries and their results will be consolidated in our financial statements in accordance with GAAP immediately after such sale, for purposes of calculating "Consolidated Net Income" under the Indenture, the net income (or loss) of such PRC Non-Guarantor Subsidiaries will be fully included. However, as they will not be our Wholly Owned Restricted Subsidiaries, to the extent they make any distributions to their shareholders after such sale, we may only receive distributions in proportion to our percentage ownership interest in them. In addition, while we will have to comply with the "Limitation on Asset Sales" covenant, including using the proceeds of such sale in accordance with the covenant, we may not be able to deploy the proceeds in a timely manner (or at all) to acquire assets that generate cash flow comparable to that of those that have been sold. Accordingly, you are cautioned as to any such sale of a significant amount of shares of our PRC Non-Guarantor Subsidiaries holding all or substantially all of our properties and assets, which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

We now have, and will continue to have after the offering of the New Notes, a substantial amount of indebtedness. See "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 New 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 Indenture and the indentures governing the January 2013 Notes, the May 2016 Notes, the October 2016 Notes, the July 2017 Notes, the February 2018 Notes, the March 2018 Notes, the Existing Notes and the July 2018 Notes, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenants. Under such covenants, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the New Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the New Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense has become payable by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

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

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

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

We plan to designate subsidiaries within the Colour Life Group and a number of other subsidiaries as Unrestricted Subsidiaries on the Original Issue Date under the Indenture. Subject to certain conditions, including, among other things, the absence of a continuing default at the time of and after giving effect to such designation, we may also designate any Restricted Subsidiary as an Unrestricted Subsidiary in the future. In addition, we have the flexibility under the terms of the New Notes to designate any subsidiary in the Restructuring Group (as defined under "Description of the New Notes – Definitions") as Unrestricted Subsidiaries. The effects of designation of an entity as an Unrestricted Subsidiary include, but are not limited to:

- the business, assets and liabilities of such entity will no longer be part of the credit underlying the New Notes;

- such entity will not be subject to the restrictive covenants applicable to Restricted Subsidiaries under the Indenture;

- as applicable, the Subsidiary Guarantees of such entity may be released, and the shares of such entity previously pledged to the collateral agent or the trustee for the benefit of the holders of the New Notes may be released; and

- interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense (as defined under "Description of the New Notes – Definitions"), other than such interest expenses on Indebtedness that is Guaranteed by the Company or a Restricted Subsidiary.

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

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

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

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the New Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the New Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the New Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

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

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

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

The New Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 33% from July 21, 2005 to December 31, 2014. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joined its Special Drawing Rights currency basket. On May 27, 2017 the authorities indicated publicly that they were "considering" changing the fixing mechanism yet again, to include an undefined "countercyclical mechanism". The addition of a countercyclical mechanism was confirmed in the PBOC's Q2 2017 Monetary Policy Report (PBOC 2017). On January 9, 2018, PBOC effectively reduced the influence of the "counter-cyclical factor" to the formula it uses to determine the mid-point reference rate for the yuan's exchange rate against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the New Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the New Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the New 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.

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

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

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding New Notes. Our failure to make the offer to purchase or to purchase the outstanding New Notes would constitute an Event of Default under the New 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 New Notes and repay the debt.

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

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

We may be treated as a PRC resident enterprise for PRC tax purposes. See "– Risks Relating to Our Business – We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income." If we are deemed a PRC resident enterprise, the interest payable on the New Notes may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the New Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest we pay with respect to the New Notes, or any gains realized from the transfer of New Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC "resident enterprise." In addition, pursuant to Circular 36 promulgated by the MOF and SAT on March 23, 2016, if the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the New Notes are providing loans within the PRC, the holders of the New Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the New Notes. In addition, the holders of the New Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%.

Where a holder of the New Notes who is an entity or individual located outside of the PRC reseIls the New Notes to an entity or individual located outside of the PRC and derives any gain, since neither the seller nor the buyer is located in the PRC, theoretically the Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of New Notes is located within the PRC.

If we are required to withhold PRC tax on interest payable to our foreign noteholders that are "non-resident enterprises," we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by a holder of a New Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the New Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the New Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our New Notes, the value of your investment in our New Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our New Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

In the event we are treated as a PRC "resident enterprise", we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a New Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the New Notes – Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in specified tax law or certain other circumstances, including any change in interpretation or statement of the official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

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

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

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the New Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the New Notes.

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

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

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

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;

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

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 25% of our total assets, without satisfying the Fixed Charge Coverage Ratio requirement. See "Description of the New Notes."

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

The New Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST, we cannot assure you that we will obtain the listing on the SGX-ST or that the New Notes will be listed on the business day immediately following the settlement date. Even if the New Notes are listed, a liquid trading market may not develop. In addition, the New Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your New Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the New Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the New Notes could be adversely affected.

Our corporate ratings may be lowered or withdrawn in the future

We have been assigned a long-term corporate credit rating of B with a negative outlook by Standard and Poor's Rating Services and a corporate family rating of B2 with a negative outlook by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the New Notes of any such revision, downgrade or withdrawal.

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

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

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

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

The price and trading volume of the New 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 New Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the New 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 exchange offer memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this exchange offer memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAPs and how those differences might affect the financial information contained in this exchange offer memorandum.

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

For so long as the New Notes are listed on the SGX-ST, we will be subject to continuing listing obligations in respect of the New Notes. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the New Notes are accustomed to.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the New 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 New Notes.

The pledge of certain Collateral may in some circumstances be voidable

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

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

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

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

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

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

The Collateral is shared on a *pari passu* basis by the holders of the New Notes, the January 2013 Notes, the May 2016 Notes, the October 2016 Notes, the July 2017 Notes, the February 2018 Notes, the March 2018 Notes, the Existing Notes and the July 2018 Notes and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the New Notes that we may issue in the future. Accordingly, in the event of a default on the New Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the New Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional New Notes or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

The pledge of certain Collateral may be released under certain circumstances

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

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

The Collateral Agent (as defined under "Description of the New Notes – Definitions") is required to take action to enforce the Collateral in accordance with the instructions of the holders of the New Notes, the holders of the January 2013 Notes, the holders of the May 2016 Notes, the holders of the October 2016 Notes, the holders of the July 2017 Notes, the holders of the February 2018 Notes, the holders of the March 2018 Notes, the holders of the Existing Notes, the holders of the July 2018 Notes and holders (or representatives or agents) of the Permitted Pari Passu Secured Indebtedness (as defined under "Description of the New Notes – Definitions"), given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect the Company's entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the New Notes. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the New 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 New Notes, the holders of the New Notes holding 25% of the outstanding amount of the New Notes and holders, creditors or representatives of the January 2013 Notes, the May 2016 Notes, the October 2016 Notes, the July 2017 Notes, the February 2018 Notes, the March 2018 Notes, the Existing Notes, the July 2018 Notes and the Permitted Pari Passu Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement, instruct the Collateral Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the New Notes. In such event, the only remedy available to holders of the New Notes would be to sue for payment under the New Notes and the Subsidiary Guarantees.

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the New Notes. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the New Notes, the January 2013 Notes, the May 2016 Notes, the October 2016 Notes, the July 2017 Notes, the February 2018 Notes, the March 2018 Notes, the Existing Notes and the July 2018 Notes unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral against any loss, liability or expense.

USE OF PROCEEDS

We will not receive any cash proceeds from the Exchange Offer.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated statement of comprehensive income data for 2015, 2016 and 2017 and the selected consolidated statement of financial position data as of December 31, 2015, 2016 and 2017 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte, the independent certified public accountants, and included elsewhere in this exchange offer memorandum. The summary consolidated income statement and other financial data for the six months ended June 30, 2017 and 2018 and the summary consolidated balance sheet data as of June 30, 2018 set forth below (except for EBITDA data) have been derived from our unaudited interim condensed consolidated financial information for such period and as of such date, as reviewed by Deloitte in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Results for the interim period are not indicative of the results for the year. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The selected financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this exchange offer memorandum.

Selected Consolidated Statement of Comprehensive Income and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
				(in thousands)			
Revenue	8,164,297	10,920,638	9,782,568	1,478,377	3,637,259	5,195,511	785,164
Cost of sales	(5,645,554)	(7,392,156)	(6,884,964)	(1,040,481)	(2,527,895)	(3,877,542)	(585,988)
Gross profit	2,518,743	3,528,482	2,897,604	437,896	1,109,364	1,317,969	199,176
Other income, gains and losses	(108,360)	(585,172)	1,009,049	152,491	185,396	(217,546)	(32,876)
Change in fair value of investment properties	713,887	405,076	966,184	146,013	407,411	195,009	29,470
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	175,922	478,005	118,589	17,922	122,567	236,744	35,778
Selling and distribution expenses	(318,594)	(222,772)	(417,872)	(63,150)	(113,075)	(157,181)	(23,754)
Administrative expenses	(741,241)	(851,273)	(1,229,847)	(185,859)	(573,692)	(689,868)	(104,255)
Finance costs	(302,340)	(932,238)	(1,279,587)	(193,376)	(609,782)	(814,317)	(123,063)
Share of results of associates	626	(2,528)	8,843	1,336	21,071	16,866	2,549
Share of results of joint ventures	(7,324)	48,504	167,670	25,339	29,716	(21,741)	(3,286)
Gain on disposal of a subsidiary	790,039	640,080	326,285	49,309	98,820	766,779	115,878
Profit before taxation	2,721,358	2,506,164	2,566,918	387,921	677,796	632,714	95,617
Income tax expense	(1,318,542)	(1,441,816)	(1,157,207)	(174,881)	(521,392)	(452,803)	(68,429)
Profit for the year	1,402,816	1,064,348	1,409,711	213,041	156,404	179,911	27,189
Profit for the year attributable to:							
Owners of the Company	1,210,610	805,736	1,154,316	174,444	81,270	102,841	15,542
An owner of perpetual capital instrument	63,875	37,550	–	–	–	–	–
Other non-controlling interests	128,331	221,062	255,395	38,596	75,134	77,070	11,647
	1,402,816	1,064,348	1,409,711	213,040	156,404	179,911	27,189
Other Financial Data							
EBITDA(1)	3,611,080	3,946,773	3,971,648	600,209	1,139,451	1,518,132	229,443
EBITDA margin(2)	44%	36%	41%	41%	31%	29%	29%

Notes:

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

(2) *EBITDA margin is calculated by dividing EBITDA by revenue.*

Selected Consolidated Statement of Financial Position

	As of December 31,				As of June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$)	(RMB) (unaudited)	(RMB)	(US$)
				(in thousands)			
Non-current Assets							
Property, plant and equipment	1,766,869	2,078,272	2,611,084	394,596	2,146,326	2,684,319	405,664
Investment properties	6,884,931	6,981,839	10,194,164	1,540,579	8,008,952	10,777,165	1,628,684
Interests in associates	6,789	735,336	1,174,908	177,556	834,947	1,309,435	197,887
Interests in joint ventures	410,044	951,667	1,060,057	160,200	1,133,325	673,621	101,800
Available-for-sale investment	–	30,215	117,663	17,782	32,318	–	–
Equity instruments designated at FVTOCI	–	–	–	–	–	150,635	22,765
Goodwill	733,549	912,750	2,299,758	347,548	878,242	2,303,370	348,094
Intangible assets	204,474	259,248	1,319,901	199,468	247,898	1,249,588	188,842
Prepaid lease payments	868,698	1,765,515	754,720	114,056	354,785	340,119	51,400
Premium on prepaid lease payments	172,169	1,592,486	1,268,992	191,775	1,278,602	1,259,376	190,321
Land development expenditure	–	–	–	–	–	–	–
Other receivables	376,841	244,038	167,624	25,332	165,330	157,040	23,732
Deposits paid for acquisition of subsidiaries	231,329	267,130	799,606	120,839	834,422	1,108,541	167,527
Deposits paid for acquisition of a property project	140,946	159,073	159,214	24,061	159,214	159,214	24,061
Deposit paid for acquisition of land use rights	1,050,077	1,095,077	118,103	17,848	1,104,492	342,887	51,818
Deferred tax assets	462,161	466,577	461,990	69,818	508,096	504,438	76,232
	13,308,877	17,539,223	22,507,784	3,401,458	17,686,949	23,019,748	3,478,827
Current Assets							
Inventories	–	80,414	194,655	29,417	120,225	330,542	49,953
Properties for sale	21,801,648	15,347,979	23,777,966	3,593,412	16,953,660	28,547,372	4,314,182
Prepaid lease payments	34,274	48,151	18,228	2,755	12,468	12,455	1,882
Premium on prepaid lease payments	3,678	28,744	19,233	2,907	19,233	19,233	2,907
Contract assets	–	–	–	–	–	142,011	21,461
Contract costs	–	–	–	–	–	181,256	27,392
Trade and other receivables	4,604,047	4,604,211	4,129,404	624,050	4,307,948	4,976,379	752,048
Amounts due from customers for contract works	88,937	73,627	104,079	15,729	128,129	–	–
Tax recoverable	107,594	96,458	85,990	12,995	127,297	101,435	15,329
Financial assets at fair value through profit or loss	19,200	127,275	234,460	35,432	217,750	113,644	17,174
Amount due from a joint venture	180,258	355,775	362,935	54,848	533,306	72,059	10,890
Amount due from associates	–	–	27,567	4,166	30,045	18,284	2,763
Amount due from non-controlling shareholders of the subsidiaries of the Company	–	82,330	1,052,812	159,105	985,853	586,376	88,615
Amount due from related parties	184,782	233,726	–	–	38,809	–	–
Restricted/pledged bank deposits	1,336,482	1,997,824	2,106,552	318,350	1,226,737	1,826,400	276,012
Bank balances and cash	2,881,511	9,136,526	14,335,075	2,166,368	8,588,772	20,783,247	3,140,839
	31,242,411	32,213,040	46,448,956	7,019,534	33,290,232	57,710,693	8,721,447

	As of December 31,				As of June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$)	(RMB) (unaudited)	(RMB)	(US$)
				(in thousands)			
Current Liabilities							
Trade and other payables	6,626,928	4,445,008	9,282,468	1,402,800	4,945,851	8,725,138	1,318,574
Deposits received for sale of properties	5,555,880	2,817,149	5,503,060	831,642	3,353,050	–	–
Amounts due to customers for contract works	17,141	16,746	13,778	2,082	13,561	–	–
Contract liabilities	–	–	–	–	–	10,017,226	1,513,839
Amount due to a non-controlling shareholder..	390,199	310,438	–	–	–	217,952	32,938
Amounts due to joint ventures and associates	1,033,916	1,335,495	23,513	3,553	493,981	277,451	41,929
Tax liabilities	3,626,109	4,151,634	4,431,080	669,641	4,186,950	4,171,313	630,384
Borrowings – due within one year	1,407,598	929,458	3,022,026	456,699	1,657,247	5,538,267	836,963
Obligations under finance leases . . .	22,101	23,610	51,693	7,812	23,057	52,244	7,895
Senior notes	1,004,105	1,575,183	4,484,610	677,730	5,286,365	4,421,452	668,186
Assets backed securities issued . . .	–	37,642	42,533	6,428	20,589	50,028	7,560
Defined benefit obligation	–	5,171	220	33	5,212	182	28
Provision	–	37,154	40,131	6,065	43,483	35,139	5,310
	19,683,977	15,704,688	26,895,112	4,064,485	20,029,346	33,506,392	5,063,606
Net Current Assets	11,558,434	16,508,352	19,553,844	2,955,047	13,260,886	24,204,301	3,657,841
Total Assets less Current Liabilities	24,867,311	34,047,575	42,061,628	6,356,505	30,947,835	47,224,049	7,136,668
Non-Current Liabilities							
Amount due to a non-controlling shareholder	329,721	–	–	–	–	–	–
Deferred tax liabilities	1,071,358	1,236,629	1,754,528	265,151	1,372,766	1,934,028	292,277
Borrowings – due after one year . . .	2,556,814	2,438,008	6,841,619	1,033,930	1,652,768	9,666,666	1,460,861
Obligations under finance leases . . .	104,979	88,538	259,299	39,186	74,934	276,485	41,783
Derivative financial instrument . . .	22,673	–	–	–	–	–	–
Senior notes	8,508,474	16,804,442	15,320,332	2,315,264	13,452,254	17,370,491	2,625,091
Assets backed securities issued . . .	–	237,442	185,204	27,989	231,796	252,988	38,232
Defined benefit obligation	–	121,781	2,615	395	130,240	2,681	405
Provision	33,255	–	–	–	–	–	–
	12,627,274	20,926,840	24,363,597	3,681,915	16,914,758	29,503,339	4,458,649
	12,240,037	13,120,735	17,698,031	2,674,590	14,033,077	17,720,710	2,678,018
Capital and Reserves							
Share capital	497,797	497,848	497,868	75,240	497,868	497,945	75,251
Reserves	9,910,694	10,457,503	12,139,049	1,834,497	10,298,416	11,868,329	1,793,585
Equity attributable to owners of the Company	10,408,491	10,955,351	12,636,917	1,909,737	10,796,284	12,366,274	1,868,836
Perpetual capital instrument	710,500	–	–	–	–	–	–
Other non-controlling interests . . .	1,121,046	2,165,384	5,061,114	764,854	3,236,793	5,354,436	809,182
Total non-controlling interests	1,831,546	2,165,384	5,061,114	764,854	3,236,793	5,354,436	809,182
	12,240,037	13,120,735	17,698,031	2,674,590	14,033,077	17,720,710	2,678,018

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

Q: Why is the Company making the Exchange Offer?

A: We are conducting the Exchange Offer to refinance the Existing Notes to extend our debt maturity profile.

Q: What will I receive if I tender my Existing Notes in the Exchange Offer?

A: For each US$1,000 principal amount of outstanding Existing Notes that is validly tendered prior to the Exchange Expiration Deadline and accepted for exchange, an Eligible Holder will receive the Exchange Consideration consisting of: (a) US$1,000 in aggregate principal amount of the New Notes, (b) Accrued Interest (rounded to the nearest US$0.01, with US$0.005 rounded upwards), and (c) subject to the requirement that any New Notes issued to any Eligible Holder be in a minimum principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof, in the event that such Eligible Holder is entitled to receive any New Notes in a principal amount that is not an integral multiple of US$1,000, cash (rounded to the nearest US$0.01, with US$0.005 rounded upwards) in lieu of any fractional amount of the New Notes equal to the principal amount of the New Notes not issued (after rounding downward the amount of the New Notes to the nearest multiple of US$1,000). See "Summary of the Exchange Offer" and "Description of the Exchange Offer – Exchange Consideration" for further details.

Q: What are the consequences of not tendering in the Exchange Offer?

A: Following the consummation of the Exchange Offer, the trading market for Existing Notes that are not exchanged could become more limited than the existing trading market for the Existing Notes and could cease to exist altogether due to the reduction in the amount of the Existing Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Existing Notes. See the section entitled "Risk Factors – Risks Relating to the Exchange Offer Generally – Upon consummation of the Exchange Offer, liquidity of the market for outstanding Existing Notes may be substantially reduced, and market prices for outstanding Existing Notes may decline as a result" for additional risk disclosure.

Q: How do the Existing Notes differ from the New Notes to be issued in the Exchange Offer?

A: The Existing Notes bear interest at the rate of 8.5% per annum, and the New Notes will bear interest at the rate of 12.0% per annum. The Existing Notes will mature in 2019, and the New Notes will mature in 2020.

Q: Are there any conditions to the consummation of the Exchange Offer?

A: Our obligation to complete the Exchange Offer is conditioned upon, among other things, the following: (i) there being no material adverse change in the market from the date of this exchange offer memorandum to the Settlement Date; (ii) an affirmative determination by us that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests; and (iii) the satisfaction of the other conditions described in "Description of the Exchange Offer – Conditions to the Exchange Offer."

Subject to applicable law, we may terminate or withdraw the exchange offer if any of the conditions are not satisfied or waived by the Settlement Date. We may also extend the Exchange Offer from time to time until the conditions are satisfied or waived.

Although we have no present plans or arrangements to do so, we reserve the right to amend, modify or waive, at any time, the terms and conditions of the Exchange Offer, subject to applicable law. We will give you notice of any amendments, modifications or waivers as and if required by applicable law.

Q: When will the Exchange Offer expire?

A: The Exchange Offer will expire at 4:00 p.m., London time on December 14, 2018, subject to our right to extend or earlier terminate that time and date at our absolute discretion. If all outstanding existing notes are validly tendered before 4:00 p.m., London time on December 14, 2018, the exchange expiration deadline may be set at such earlier time at our sole discretion.

Q: Under what circumstances can the Exchange Offer be extended, amended or terminated?

A: We reserve the right to extend the Exchange Offer at our absolute discretion for any reason. We expressly reserve the right, at any time, to amend the terms of the Exchange Offer in any respect prior to the Exchange Expiration Deadline, subject to applicable law. Further, we may extend the Exchange Offer if we make a material change in the terms of the Exchange Offer or in the information contained in this exchange offer memorandum or waive a material condition to the Exchange Offer. During any extension of the Exchange Offer, Existing Notes that were previously tendered for exchange will remain subject to the exchange offer. Any waiver, amendment or modification of the Exchange Offer, including any change in the Exchange Consideration, will apply to all Existing Notes previously validly tendered. We reserve the right to terminate the Exchange Offer at any time prior to the Settlement Date if any conditions are not met. For more information regarding our right to extend, amend or terminate the Exchange Offer, see "Description of Exchange Offer – Exchange Expiration Deadline; Extensions; Amendments; Termination."

Q: When will the Company issue the New Notes?

A: Assuming the conditions to the Exchange Offer are satisfied or waived, we anticipate that we will issue the New Notes and settle the Exchange Offer, including the delivery and payment of the Exchange Consideration, as soon as practicable after the Exchange Expiration Deadline.

Q: What are my rights if I change my mind after I tender my Existing Notes?

A: Tenders of Existing Notes may not be withdrawn or revoked once submitted unless we are required by law to permit such withdrawal or revocation.

Q: Will the Company receive any cash proceeds from the Exchange Offer?

A: No. See "Use of Proceeds."

Q: When will the Company purchase or redeem the Existing Notes?

A: Existing Notes tendered in the Exchange Offer pursuant to valid and accepted instructions will be exchanged on the Settlement Date and subsequently canceled.

Whether or not the Exchange Offer is consummated, we expressly reserve the absolute right, at our sole discretion, from time to time to redeem or purchase any Existing Notes that remain outstanding after the Exchange Expiration Deadline through open market or privately negotiated transactions, one or more additional tenders or exchange offers or otherwise, on terms that may differ from the Exchange Offer and could be for cash or other consideration, or to exercise any of our redemption rights, including redemption rights, under the indenture governing the Existing Notes.

Q: Can I transfer my Existing Notes after submitting an instruction to exchange?

A: Upon giving instructions with respect to any Existing Notes, an Eligible Holder will agree that its Existing Notes will be blocked from transferring in the relevant account in the relevant Clearing System from the date the relevant instruction is submitted until the Settlement Date or the date of termination of the Exchange Offer (including where such Existing Notes are not accepted by the Company for exchange), whichever is earlier.

Q: What happens if some or all of my Existing Notes are not accepted?

A: If we decide not to accept some or all of your Existing Notes because of an invalid tender, the occurrence of the other events set forth in this exchange offer memorandum or otherwise, the Existing Notes not accepted by us for the Exchange Offer will be credited back to the tendering holder's account at Euroclear or Clearstream, as applicable.

Q: Will I have to pay any fees or commissions if I tender my Existing Notes in the Exchange Offer?

A: If your Existing Notes are held through a broker or other nominee who tenders the Existing Notes on your behalf, your broker may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges apply. Otherwise, you will not be required to pay any fees or commissions to us or the Information and Exchange Agent in connection with the Exchange Offer.

Q: How do I tender my Existing Notes for exchange in the Exchange Offer?

A: Please see "Description of Exchange Offer – Procedures for Tendering Existing Notes." For further information, please contact D.F. King, who has been retained by us as the Information and Exchange Agent for the Exchange Offer, or consult your broker, dealer, commercial bank, trust company or other nominee or custodian for assistance.

PLEASE NOTE: The Exchange Offer is available only to holders who are outside the United States. To participate in the Exchange Offer, a holder of Existing Notes must either hold such Existing Notes through a direct participant in Euroclear or Clearstream or arrange for the transfer of its Existing Notes so that they are held through such a direct participant. **U.S. PERSONS (WITHIN THE MEANING OF REGULATION S) AND PERSONS LOCATED IN THE UNITED STATES ARE NOT PERMITTED TO TENDER EXISTING NOTES IN THE EXCHANGE OFFER.**

Q: Will the New Notes be freely tradable?

A: The transfer of the New Notes is restricted. The New Notes will not be registered under, and we are not obligated to register the New Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. We have not agreed to or otherwise undertaken to register the New Notes, and have no intention to do so. There can be no assurance as to the development or liquidity of any market for the New Notes.

Q: To whom should I direct any questions?

A: Questions about the terms of the Exchange Offer should be directed to the Company or the Information and Exchange Agent, as appropriate. If you have questions regarding exchange procedures or require additional copies of this exchange offer memorandum, please contact the Information and Exchange Agent. Contact information for Information and Exchange Agent are set forth on the back cover of this exchange offer memorandum. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees or custodians for assistance concerning the Exchange Offer. All documents related to the Offer will be made available, subject to eligibility, on the Exchange Website.

DESCRIPTION OF THE EXCHANGE OFFER

General

We intend to conduct the Exchange Offer in accordance with the applicable rules and regulations of any jurisdiction where the offer of the New Notes and the exchange of the Existing Notes is permitted. The Exchange Offer will only be made to, and the New Notes are being offered and will be issued only to, Eligible Holders of Existing Notes who have complied with the procedures set out herein, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees or custodians have complied with the procedures herein and confirmed and represented that such holders are located outside the United States.

Purpose of the Exchange Offer

We are conducting the Exchange Offer to refinance the Existing Notes to extend our debt maturity profile.

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this exchange offer memorandum, we are offering to exchange our outstanding Existing Notes (due June 4, 2019 with ISIN: XS1832987397, Common Code: 183298739) for the Exchange Consideration as set forth below. As of the date of this exchange offer memorandum, US$100,000,000 of the Existing Notes are outstanding.

Eligible Holders of the Existing Notes validly accepted and exchanged in the Exchange Offer will, from and including the Settlement Date, waive any and all rights with respect to the Existing Notes (other than the right to receive the relevant components of the applicable Exchange Consideration) and will release and discharge us from any and all claims such holder may have, now or in the future, arising out of or related to such Existing Notes, including any and all accrued and unpaid interest thereon.

Exchange Consideration

Eligible Holders of the outstanding Existing Notes that are validly tendered prior to the Exchange Expiration Deadline and accepted for exchange will receive for each US$1,000 principal amount of the Existing Notes the Exchange Consideration consisting of: (a) US$1,000 in aggregate principal amount of the New Notes, (b) Accrued Interest, and (c) subject to the requirement that any New Notes issued to any Eligible Holder be in a minimum principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof, in the event that such Eligible Holder is entitled to receive any New Notes in a principal amount that is not an integral multiple of US$1,000, cash (rounded to the nearest US$0.01, with US$0.005 rounded upwards) in lieu of any fractional amount of the New Notes equal to the principal amount of the New Notes not issued (after rounding downward the amount of the New Notes to the nearest multiple of US$1,000).

The Existing Notes bear interest at the rate of 8.5% per annum. Accrued and unpaid interest on any Existing Notes validly tendered and accepted for exchange will be payable in cash.

Notwithstanding anything to the contrary contained in this exchange offer memorandum or in any other document related to the Exchange Offer, we expressly reserve the right, at our sole discretion and regardless of whether any of the conditions described under "Description of the Exchange Offer – Conditions to the Exchange Offer" have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the

conditions described herein, in whole or in part, (iii) extend the Exchange Expiration Deadline, (iv) amend the terms of the Exchange Offer or modify the form or amount of the consideration to be paid pursuant to this Exchange Offer.

If all or any of the Existing Notes tendered for exchange by any holder has not been accepted, you will receive (i) the Exchange Consideration in relation to the amount of the Existing Notes validly tendered and accepted in the Exchange Offer; and (ii) in relation to those Existing Notes not accepted in the Exchange Offer but validly tendered, such Existing Notes will be returned to such holder.

No other holders of the Existing Notes will be entitled to receive the Exchange Consideration.

Interest or Coupon on the New Notes

The interest rate of the New Notes will be 12.0% per annum. The New Notes will mature in 2020.

Eligibility for Acceptance of the Exchange Offer

Your submission of an electronic instruction to Euroclear or Clearstream, as applicable, with respect to any Existing Notes will only be valid if you certify in such electronic instruction that you are an Eligible Holder and if you provide the Information and Exchange Agent with an Investor Certification Letter (if applicable).

Exchange Expiration Deadline; Extensions; Amendments; Termination

For purposes of the exchange offer, the Exchange Expiration Deadline will be 4:00 p.m., London time, on December 14, 2018, subject to our right to extend or earlier terminate that time and date at our absolute discretion, in which case the Exchange Expiration Deadline means the latest time and date to which such time and date is extended or earlier terminated. If all outstanding existing notes are validly tendered before 4:00 p.m., London time on December 14, 2018, the exchange expiration deadline may be set at such earlier time at our sole discretion.

We reserve the right, at our absolute discretion, by giving oral or written notice to the Information and Exchange Agent to:

- extend the Exchange Offer;

- terminate the Exchange Offer if a condition to our obligation to exchange Existing Notes for New Notes is not satisfied or waived prior to the Settlement Date, or if we determine that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated are not in our best interests; and

- amend or modify the Exchange Offer, or waive any condition to the Exchange Offer.

If we make a material change in the terms of the Exchange Offer or the information concerning the Exchange Offer, or waive a material condition of the Exchange Offer, we will promptly disseminate disclosure regarding the changes to the Exchange Offer and extend the Exchange Offer, if required by law.

During any extension of the Exchange Offer, Existing Notes that were previously tendered for exchange will remain subject to the Exchange Offer. Any waiver, amendment or modification of the

Exchange Offer, including any change in the Exchange Consideration will apply to all Existing Notes previously validly tendered for such extension or the business days following such earlier termination.

We will promptly announce any extension, amendment or termination of the Exchange Offer by issuing an announcement via the Exchange Website, and through Euroclear and Clearstream. We will announce any extension or earlier termination of the Exchange Expiration Deadline no later than 9:00 a.m., Hong Kong time, on the next business day after the previously scheduled Exchange Expiration Deadline.

Acceptance of the Existing Notes

Subject to the terms and conditions of the Exchange Offer, and assuming we do not otherwise terminate the Exchange Offer, we will be deemed to accept validly tendered Existing Notes when, and if, we give oral or written notice of acceptance to the Information and Exchange Agent. If any tendered Existing Notes are not accepted for any reason described in the terms and conditions of the Exchange Offer, such unaccepted Existing Notes will be returned to the tendering holder at our expense promptly after the expiration or termination of the Exchange Offer. Any unaccepted Existing Notes will be credited back to the tendering holder's account at the relevant Clearing System. Under no circumstances will we be required to accept Existing Notes for exchange that have not been validly tendered prior to the Exchange Expiration Deadline in accordance with the procedures set forth in this exchange offer memorandum. We reserve the absolute right to reject any and all tenders of the Existing Notes not in proper form or any Existing Notes the acceptance for exchange of which may, in the opinion of counsel, be unlawful. See "– Procedures for Tendering Existing Notes."

Settlement Date; Delivery of Consideration

The Settlement Date will occur promptly after the Exchange Expiration Deadline. We anticipate that the Settlement Date will occur as soon as practicable after the Exchange Expiration Deadline.

Subject to the terms and conditions of the Exchange Offer, and assuming that the Exchange Offer is not otherwise terminated by us, on the Settlement Date, Eligible Holders of Existing Notes who validly tendered in accordance with the procedures set forth in this exchange offer memorandum prior to the Exchange Expiration Deadline that are accepted by us will receive the Exchange Consideration.

Any cash payments for fractional portions of the New Notes to be issued in the Exchange Offer will be made by deposit of funds with Euroclear or Clearstream. Euroclear or Clearstream will transmit the New Notes to the holders and Euroclear or Clearstream will also transmit the cash payments to holders.

Conditions to the Exchange Offer

Notwithstanding anything to the contrary contained in this exchange offer memorandum or in any other document related to the Exchange Offer, we expressly reserve the right, at our sole discretion and regardless of whether any of the conditions described under this section have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Exchange Expiration Deadline, (iv) amend the terms of the Exchange Offer or (v) modify the form or amount of the consideration to be paid pursuant to the Exchange Offer.

Combined General Conditions

Notwithstanding any other provisions of the Exchange Offer, or any extension of the Exchange Offer, we will not be required to deliver any consideration (and we may terminate the Exchange Offer or, at our option, modify, extend or otherwise amend the Exchange Offer), unless each of the following conditions, which we refer to as the combined general conditions, are satisfied or waived:

(1) we have made an affirmative determination that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests;

(2) no action or event shall have occurred or to our knowledge, been threatened (including a default under an agreement, indenture or other instrument or obligation to which we or one of our subsidiaries is a party or by which we or one of our subsidiaries is bound), nor shall any action, proceeding, application, claim, counterclaim or investigation (whether formal or informal) be pending or have been taken, nor shall any statute, rule, regulation, judgment, order, stay, decree or injunction have been proposed, promulgated, enacted, entered, enforced or deemed to be applicable to the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer by or before any court or governmental, regulatory or administrative agency or instrumentality, domestic or foreign, authority or tribunal, or by any other person, domestic or foreign, that either:

    (i) challenges the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer; or

    (ii) in our reasonable judgment, could materially affect our business, condition (financial or otherwise), income, operations, properties, assets, liabilities or prospects, or materially impair the contemplated benefits to us of the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer or might be material to holders of the Existing Notes in deciding whether to accept the Exchange Offer;

(3) there shall not have occurred or be likely to occur any event affecting the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of us or our or subsidiaries that, in our sole judgment, either (i) is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects, or (ii) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer; and

(4) none of the following has occurred:

    (i) any general suspension of or limitation on trading in securities on the PRC, the United States, London, Hong Kong securities or financial markets, or in the over-the-counter market (whether or not mandatory);

    (ii) any material decrease in the trading price of the Existing Notes in the PRC, the United States, London, Hong Kong or other major securities or financial markets;

    (iii) a material impairment in the general trading market for debt securities;

(iv) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the PRC, the United States, London or Hong Kong or other major financial markets (whether or not mandatory);

(v) a commencement or escalation of a war, armed hostilities, terrorist act or other national or international crisis directly or indirectly relating to the PRC, the United States, London or Hong Kong;

(vi) any limitation (whether or not mandatory) by any governmental, administrative or regulatory authority or agency, domestic or foreign, or other event having a reasonable likelihood, in our reasonable judgment, of affecting, the extension of credit by banks or other lending institutions in the PRC, the United States, London or Hong Kong;

(vii) any material disruption has occurred in securities settlement or clearance services in the PRC, the United States, London or Hong Kong;

(viii) any amalgamation, merger, acquisition or other business combination proposal involving us or our subsidiaries shall have been proposed, announced or made by any person or entity;

(ix) any material adverse change in the PRC, the United States, London or Hong Kong securities or financial markets generally; and

(x) in the case of any of the foregoing existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening thereof.

Waiver, Termination and Modification

The foregoing conditions are for our sole benefit and may be waived by us, in whole or in part, at our absolute discretion. Any determination made by us concerning an event, development or circumstance described or referred to above will be conclusive and binding. Our failure at any time to exercise any of our rights will not be deemed a waiver of any other right, and each right will be deemed an ongoing right which may be asserted at any time and from time to time.

If any of the combined general conditions is not satisfied, we may, at any time prior to the Settlement Date, subject to applicable law:

- terminate the Exchange Offer and return all tendered Existing Notes;
- modify, extend or otherwise amend the Exchange Offer and retain all tendered Existing Notes until the Exchange Expiration Deadline may be extended; or
- waive any unsatisfied conditions with respect to the Exchange Offer, and accept all Existing Notes tendered and delivered.

Representations, Warranties and Covenants of Holders of the Existing Notes

Representations, warranties and covenants of each Eligible Holder for exchange

Upon instruction to tender the Existing Notes, which will be irrevocable, and subject to the terms and conditions of the Exchange Offer generally, each Eligible Holder will be deemed, among other things, to:

(1) irrevocably sell, assign and transfer to or upon our order or the order of our nominee, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Existing Notes tendered thereby, such that thereafter it shall have no contractual or other rights or claims in law or in equity against the Company, the Existing Notes Trustee, the Collateral Agent or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Existing Notes arising under, from or in connection with such Existing Notes;

(2) waive any and all rights with respect to the Existing Notes tendered thereby (including, without limitation, any existing or past defaults and their consequences in respect of such Existing Notes); and

(3) release and discharge us, each Subsidiary Guarantor, each JV Subsidiary Guarantors (if any), the Existing Notes Trustee, the Collateral Agent or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Existing Notes from any and all claims such holder may have (now or in the future), arising out of or relating to the Existing Notes tendered thereby, including, without limitation, any claims that such holder is entitled to receive additional principal or interest payments with respect to the Existing Notes tendered thereby (other than as expressly provided in this exchange offer memorandum) or to participate in any redemption or defeasance of the Existing Notes tendered thereby.

In addition, such Eligible Holder of the Existing Notes will be deemed to represent, warrant and undertake that:

(1) it has received and reviewed this exchange offer memorandum including the terms of the New Notes set out herein;

(2) it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, the Existing Notes tendered thereby;

(3) it (i) has not received or been sent copies of this exchange offer memorandum or any related documents in, into or from the United States, (ii) is not located in the United States, (iii) is not an agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal who has given instructions with respect of the Exchange Offer from within the United States, (iv) has not otherwise utilized in connection with the Exchange Offer, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce, or of any facilities of a national securities exchange, of the United States and (v) is offering to exchange the Existing Notes from outside the United States;

(4) it acknowledges that the Exchange Offer is subject to the restrictions set out in the section entitled "Offer and Distribution Restrictions";

(5) the Existing Notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Existing Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;

(6) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Notes tendered thereby and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;

(7) in evaluating the Exchange Offer and in making its decision whether to participate therein by tendering its Existing Notes, such holder has made its own independent evaluation of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager the Information and Exchange Agent, the Existing Notes Trustee or the Collateral Agent than those contained in this exchange offer memorandum (as amended or supplemented to the Exchange Expiration Deadline);

(8) the delivery of an electronic instruction to the relevant Clearing System shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with the Exchange Offer, in each case on and subject to the terms and conditions set out or referred to in this exchange offer memorandum;

(9) the delivery of an electronic instruction to the relevant Clearing System shall constitute (subject to the terms and conditions of the Exchange Offer generally) the appointment of the Information and Exchange Agent as its attorney and agent, and an instruction to such attorney and agent (such appointment and instruction to be irrevocable) to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Existing Notes tendered thereby in favor of the Company or such other person or persons as the Company may direct, and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and/or the certificate(s) and other documents of title relating to such Existing Notes' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Exchange Offer, and to vest in the Company or their nominees such Existing Notes;

(10) the terms and conditions of the Exchange Offer shall be deemed to be incorporated in, and form a part of, the electronic instruction, which shall be read and construed accordingly;

(11) by delivering an electronic instruction with respect to its Existing Notes through Euroclear or Clearstream, it consents to the disclosure by Euroclear or Clearstream of certain details concerning its identity, the aggregate principal amount of such Existing Notes and the account details to the Information and Exchange Agent;

(12) it has not distributed or forwarded this exchange offer memorandum, or any part thereof, or any other documents or materials relating to the Exchange Offer to any person, and it has complied with all laws and regulations applicable to it for the purpose of its participation in the Exchange Offer.

The representations and warranties and agreements of a holder tendering Existing Notes shall be deemed to be repeated and reconfirmed on and as of the Exchange Expiration Deadline and the Settlement Date. For the purposes of this exchange offer memorandum, the "beneficial owner" of any Existing Notes shall mean any holder that exercises sole investment discretion with respect to such Existing Notes.

Procedures for Tendering Existing Notes

General

To participate in the exchange offer, an Eligible Holder must validly tender its Existing Notes for exchange pursuant to the Exchange Offer prior to the Exchange Expiration Deadline pursuant to the procedures described below.

To meet the deadlines referred to in this exchange offer memorandum, custodians, nominees and the relevant Clearing System may require you to act on a date prior to the Exchange Expiration Deadline.

Additionally, they may require further information in order to process all requests to tender. Eligible Holders are urged to contact their custodians or the relevant Clearing System as soon as possible to ensure compliance with their procedures and deadlines.

The method of delivery of the Existing Notes and all other required documents to the Information and Exchange Agent is at the election and risk of the holder. The Eligible Holder of the Existing Notes should allow sufficient time to assure delivery to and receipt by the Information and Exchange Agent prior to the Exchange Expiration Deadline.

Questions about the terms of the Exchange Offer should be directed to the Company or the Information and Exchange Agent, as applicable. If you have questions regarding tender procedures or require additional copies of this exchange offer memorandum, please contact the Information and Exchange Agent. Contact information for the Company and the Information and Exchange Agent are set forth on the back cover of this exchange offer memorandum. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee or custodian for assistance concerning the Exchange Offer.

Valid Tender of the Existing Notes

If you are an Eligible Holder of Existing Notes and you wish to tender your Existing Notes for exchange pursuant to the Exchange Offer, you may accept the Exchange Offer prior to the Exchange Expiration Deadline by submitting a valid electronic instruction to the relevant Clearing System in accordance with the requirements of the relevant Clearing System. By submitting an electronic instruction in accordance with the requirements of the relevant Clearing System, you shall be deemed to represent, warrant and undertake the following to the Company, the Dealer Manager, the Information and Exchange Agent, the Existing Notes Trustee and the Collateral Agent on each of the Exchange Expiration Deadline and the Settlement Date:

- that you wish to receive the New Notes under the terms of the Exchange Offer;
- that you are a person located outside the United States;
- the accuracy of your name and securities account number at the relevant Clearing System in which you hold the Existing Notes and to which the New Notes are to be credited;

- you have authorized the relevant Clearing System to block your position in the Existing Notes until the Settlement Date or termination or withdrawal of the Exchange Offer;

- the accuracy of the cash account number at the relevant Clearing System to which the cash portion of the Exchange Consideration should be credited; and

- that you consent to the disclosure by Euroclear or Clearstream of certain details concerning your identity, the aggregate principal amount of such Existing Notes and the account details to the Information and Exchange Agent.

Your acceptance of the Exchange Offer will constitute a binding agreement between you and us in accordance with the terms, and subject to the conditions, set forth herein and in the electronic instruction. Such acceptance will be binding upon receipt by the relevant Clearing System of a valid electronic instruction in respect of all matters except your tender of the Existing Notes for exchange, which will be binding immediately.

By submitting a valid electronic instruction to the relevant Clearing System, you are deemed to represent, warrant and undertake to the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager, the Information and Exchange Agent, the Existing Notes Trustee and the Collateral Agent that:

- you have received, reviewed and accepted the terms of this exchange offer memorandum, the terms of the New Notes;

- you currently hold the Existing Notes at the time of submission of an electronic instruction, and will continue to hold the Existing Notes, until the time of settlement on the Settlement Date or the termination of the Exchange Offer;

- you have blocked the Existing Notes (and they will remain blocked) in the securities account to which such Existing Notes are credited in the relevant Clearing System with effect from, and including, the date on which the relevant Clearing System receives the electronic instruction until the time of settlement on the Settlement Date or termination of the Exchange Offer, all in accordance with the normal procedures of the relevant Clearing System and after taking into account the deadlines imposed by the relevant Clearing System;

- you will transfer the Existing Notes which are the subject of the electronic instruction, on the Settlement Date, with full title, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Existing Notes, free and clear of all liens charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same; and

- (i) you are the beneficial owner of, or are a duly authorized representative of one or more such beneficial owners of, the Existing Notes and you are not located in the United States of America at the time you submitted the electronic instruction and (ii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (*x*) you have full investment discretion with respect to the Existing Notes covered by the electronic instruction or (*y*) the person on whose behalf you are acting is located outside the United States of America at the time he or she instructed you to accept the Exchange Offer.

If you are unable to give any of the representations and warranties described above, please contact the Company. Do not send Existing Notes or electronic instructions to the Company, the Dealer Manager or the Information and Exchange Agent.

Procedures for Participating in the Exchange Offer

To tender Existing Notes pursuant to the Exchange Offer, a beneficial owner should deliver, or arrange to have delivered on its behalf, via Euroclear or Clearstream, as applicable, and in accordance with the requirements of Euroclear or Clearstream, as applicable, a valid tender instruction that is received by the Information and Exchange Agent by the Exchange Expiration Deadline. Tender instructions must be submitted in respect of no less than a minimum nominal amount of Existing Notes (being US$200,000), and may thereafter be submitted in integral multiples of US$1,000; provided that, if a holder shall elect to partially exchange its Existing Notes into New Notes, the principal amount of each retained Existing Note must be in a minimum amount of US$200,000.

Eligible Holders are responsible for ensuring that their instructions will result in the New Notes they are entitled to receive being at least equal to the minimum principal amount of US$200,000. Instructions that would result in a principal amount of New Notes below US$200,000 will be rejected.

Beneficial owners are advised to check with any bank, securities broker or other intermediary through which they hold Existing Notes when such intermediary would need to receive instructions from a beneficial owner in order for that beneficial owner to be able to participate in the Exchange Offer by the Exchange Expiration Deadline specified in this exchange offer memorandum. ***The deadlines set by any such intermediary and Euroclear or Clearstream, as applicable, for the submission of tender instructions will be earlier than the Exchange Expiration Deadline specified in this exchange offer memorandum.***

Tender Instructions

Only direct participants of Euroclear and Clearstream may submit tender instructions. Each beneficial owner of Existing Notes that is not a direct participant must arrange for the direct participant through which such beneficial owner holds its Existing Notes to submit a valid tender instruction on its behalf to Euroclear or Clearstream, as applicable, before the deadlines specified by Euroclear or Clearstream, as applicable.

Euroclear and Clearstream Participants

A beneficial owner wishing to participate in the Exchange Offer must submit, or arrange to have submitted on its behalf, at or before the Exchange Expiration Deadline and before the deadlines set by Euroclear or Clearstream, as applicable (unless the Exchange Offer is terminated earlier), a duly completed electronic instruction to the Euroclear or Clearstream, as applicable.

The submission of Existing Notes for exchange will be deemed to have occurred upon receipt by Euroclear or Clearstream, as applicable, of a valid electronic instruction in accordance with the requirements of Euroclear or Clearstream, as applicable. The receipt of such electronic instruction by Euroclear or Clearstream, as applicable, will be acknowledged in accordance with the standard practices of Euroclear or Clearstream, as applicable, and will result in the blocking of such Existing Notes in Euroclear or Clearstream, as applicable, so that no transfers may be effected in relation to such Existing Notes.

By submitting an electronic instruction in respect of the Exchange Offer, the relevant holder will be deemed to have confirmed (i) that such holder wishes to participate in the Exchange Offer for the aggregate principal amount of the Existing Notes specified in the electronic instruction, (ii) the name of the holder or the relevant direct participant and the securities account number at Euroclear or Clearstream, as applicable, in which the Existing Notes are held, and (iii) that the New Notes and any cash payments are to be credited to the securities account and cash account numbers, respectively, at Euroclear or Clearstream, as applicable, in which the Existing Notes are held.

Determination of Validity

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tendered Existing Notes pursuant to any of the procedures described above, and the form and validity of all documents will be determined by us at our sole discretion, which determination will be final and binding absent a finding to the contrary by a court of competent jurisdiction. We reserve the absolute right to reject any or all tenders of any Existing Notes determined by us not to be in proper form, or if the acceptance of or exchange of such Existing Notes may, in the opinion of our counsel, be unlawful or result in a breach of contract. A waiver of any defect or irregularity with respect to the tender of one Existing Note shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other Existing Notes.

Your tender of the Existing Notes will not be deemed to have been validly made until all defects or irregularities in your tender and delivery have been cured or waived. None of us, the Information and Exchange Agent or any other person or entity is under any duty to give notification of any defects or irregularities in any tender of any Existing Notes, or will incur any liability for failure to give any such notification.

A separate Instruction needs to be submitted per each beneficial owner of the Existing Notes held through Euroclear and Clearstream.

No Participation by the Company

The Company may not submit any electronic instructions.

No Guaranteed Delivery

There are no guaranteed delivery procedures provided by the Company or any other entity making payments on behalf of the Company in connection with the Exchange Offer. Eligible Holders must tender their Existing Notes in accordance with the procedures set forth herein.

The Existing Notes Trustee and the Collateral Agent

In accordance with normal practice, each of the Existing Notes Trustee and the Collateral Agent expresses no opinion on the terms of the Exchange Offer. The Existing Notes Trustee and the Collateral Agent have not been involved in formulating the terms of the Exchange Offer, and make no representation that all relevant information has been disclosed to holders of the Existing Notes herein or that the information contained herein is accurate or complete. Each holder of the Existing Notes is responsible for assessing the merits of the Exchange Offer. Accordingly, each of the Existing Notes Trustee and the Collateral Agent recommends that the holders of the Existing Notes seek their own independent financial or legal advice with regard to the impact of the implementation of the Exchange Offer.

Dealer Manager

We have retained Haitong International Securities (Singapore) Pte. Ltd as Dealer Manager with respect to the Exchange Offer. The Dealer Manager will receive a customary fee for their services and reimbursement for reasonable out-of-pocket expenses, including the reasonable fees and expenses of its counsel, incurred in connection with such services. We have agreed to indemnify the Dealer Manager against certain liabilities and expenses, including liabilities under securities laws, in connection with the Exchange Offer. From time to time, the Dealer Manager may engage in transactions with us, including acting as an underwriter, dealer, advisor or agent in the ordinary course of business. The Dealer Manager does not assume responsibility for the accuracy or completeness of the information contained in this exchange offer memorandum or for any failure to disclose events that may have occurred and may affect the significance or accuracy of such information. The Dealer Manager will not be responsible for providing advice in relation to the Exchange Offer.

The Dealer Manager may submit tender instructions for its own account and, subject to the offer restrictions, on behalf of other Eligible Holders of the Existing Notes.

Information and Exchange Agent

D.F. King has been appointed as the Information and Exchange Agent for the Exchange Offer. Questions concerning tender procedures and requests for additional copies of this exchange offer memorandum should be directed to the Information and Exchange Agent at the address and telephone numbers listed on the back cover of this exchange offer memorandum. Holders of the Existing Notes may also contact their broker, dealer, commercial bank, trust company or other nominee or custodian for assistance concerning the Exchange Offer. We will pay the Information and Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses. We have agreed to indemnify the Information and Exchange Agent against certain liabilities, including liabilities arising under the U.S. federal securities laws.

Announcements

The announcement of the commencement of the Exchange Offer, the final aggregate principal amount of the Existing Notes tendered and accepted for exchange, the final interest rate of the New Notes, the final total aggregate principal amount of the New Notes and the settlement of the Exchange Offer will be released via the Exchange Website and made through Euroclear or Clearstream, and will occur as specified in the section entitled "Summary Timetable" unless otherwise extended or amended. All other announcements will be made through Euroclear or Clearstream. Significant delays may be experienced in publishing notices through Euroclear or Clearstream and the holders of the Existing Notes are urged therefore to contact the Information and Exchange Agent for the relevant announcements. All announcements will be made available upon release at the offices of the Information and Exchange Agent in London.

The Company and the Information and Exchange Agent will announce the outcome of the Exchange Offer on the dates set out in the section entitled "Summary Timetable" and the section entitled "Description of the Exchange Offer."

Other Fees and Expenses

We will bear the fees and expenses of soliciting tenders for the Exchange Offer. Tendering holders of the Existing Notes will not be required to pay any fee or commission to the Information and Exchange Agent. If, however, a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other nominee or custodian, that holder may be required to pay brokerage fees or commissions to such broker, dealer, commercial bank, trust company or other nominee or custodian.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of the Existing Notes pursuant to the Exchange Offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing the Existing Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Existing Notes tendered;

- tendered Existing Notes are registered in the name of any person other than the person signing; or

- a transfer tax is imposed for any reason other than the exchange of the Existing Notes under the Exchange Offer.

If satisfactory evidence of payment of transfer taxes is not submitted with the tendered Existing Notes, the amount of any transfer taxes will be billed to the tendering holder.

Source of Funds for the Exchange Offer

We intend to fund any cash payments for fractional portions of the New Notes to Eligible Holders pursuant to the Exchange Offer, from our internal funds.

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

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

Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the exchange offer memorandum, references to "2015," "2016" and "2017" refer to our financial years ended December 31, 2015, 2016 and 2017, respectively.

Overview

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

As of June 30, 2018, we had a total of 52 projects at various stages of development (including completed projects, projects under development and projects held for future development), including 15 projects located in the Chengdu-Chongqing Economic Zone, nine projects located in the Pearl River Delta region, nine projects located in the Yangtze River Delta region, nine projects located in the Beijing-Tianjin metropolitan region, nine projects located in Central China and one project located overseas in Singapore.

As of June 30, 2018, we had a total land bank of approximately 17.8 million square meters, which consists of:

- an aggregate planned GFA of approximately 11.6 million square meters of properties for which we had fully paid the land premium and obtained land use rights (consisting of an aggregate planned GFA of approximately 5.0 million square meters of properties under development and an aggregate planned GFA of approximately 6.6 million square meters of properties held for future development for which we have obtained land use rights); and

- an aggregate planned GFA of approximately 6.2 million square meters of properties for which we had entered into preliminary framework agreements but had not obtained the land use rights or property rights.

Of our total land bank as of June 30, 2018, approximately 7.3 million square meters, or 41.3%, were located in the Chengdu-Chongqing Economic Zone; approximately 5.1 million square meters, or 29.0%, were located in the Pearl River Delta region; approximately 1.6 million square meters, or 8.8%, were located in the Yangtze River Delta region; approximately 1.4 million square meters, or 8.0%, were located in the Beijing-Tianjin metropolitan region; approximately 2.3 million square meters, or 12.9%, were located in Central China. We develop most of our properties, including properties that are currently under development, for sale but will hold certain of these developed properties for investment and hotel management purposes.

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

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our revenue was RMB8,164.3 million, RMB10,920.6 million, RMB9,782.6 million (US$1,478.4 million) and RMB5,195.5 million (US$785.2 million), respectively. For the same periods, our profit for the year or period was RMB1,402.8 million, RMB1,064.3 million, RMB1,409.7 million (US$213.0 million) and RMB179.9 million (US$27.2 million), respectively.

Key Factors Affecting Our Results of Operations

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

Economic Conditions and Regulatory Environment in the PRC

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

- continued growth in the economy, population and rate of urbanization in the PRC and in cities and regions in which we operate as such factors drive the demand for purchase or rental of real estate properties;

- the regulatory and fiscal environment of the PRC, specifically, the regulatory and fiscal environment affecting the property development industry, including tax policies, land grant and land use rights policies, pre-sale policies, policies on bank financing and interest rates and the availability of mortgage financing and other macro-economic policies; and

- the performance of the PRC's property market, in particular, the supply and demand for real estate properties and pricing trends in the medium- to high-end property sector in the cities and regions in which we operate.

The slowdown of the worldwide economy from 2008 to early 2009, including that of China, resulted in the decline in real estate market sentiment, which have adversely affected property demand and average selling prices and rental prices in many areas of China. Since then PRC and many other foreign economies have shown signs of recovery. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On August 6, 2011, S&P downgraded the rating for long- term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, including the uncertainties surrounding Brexit, may continue to adversely affect the global economy and financial markets. Further, 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. The full impact of the Moody's downgrade 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. It is difficult to determine the impact of any global economic slowdown and financial crisis on the property industry in China. If the global economic slowdown and financial market crisis continue or become more severe than currently estimated, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected. See "Risk Factors – Risks Relating to Our Business – We may be adversely affected by fluctuations in the global economy and financial markets."

Our business and results of operations have also been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC government on property development and related industries. In recent years, the PRC government has implemented a series of measures with a view to controlling the growth of the economy, including the property markets. While the property industry is regarded as a pillar industry by the PRC government, the PRC government has taken various restrictive measures to discourage speculation in the property market and to increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land grants, pre-sales of properties, bank financing and taxation. For example, the PRC government increased regulation over the property market since 2011. Policies restricting property purchases were adopted in nearly 50 cities, as compared to fewer than 20 cities in 2010. On January 26, 2011, the General Office of the State Council issued a circular which raised the proportion of minimum down payments for second house purchases from 50% to 60%. Regulations were promulgated at various levels to promote affordable housing. On February 26, 2013, the General Office of the State Council announced a new circular to further increase down payment ratios and interest rates for loans to purchase second properties for those cities with excessive growth in housing prices. On February 26, 2016, the PBOC and the CBRC issued a notice that provides the minimum down payment is 25% and the local policy can 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%. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our access to capital and the means in which we may finance our property development.

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

Costs of Labor, Construction Materials and Building Equipment

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

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

Availability and Cost of Land

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for the development of our projects at commercially acceptable prices. Land acquisition costs are one of the primary components of our cost of sales for property development, which is consisted of land premium and where necessary, the cost of demolition of existing buildings and relocation of residents. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is likely to increase competition for available land and to increase land acquisition costs. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and now requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development, the lowest land premium for the assignment of land use rights shall not be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. Such change of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

LAT

We are subject to LAT with respect to the appreciated value of land. LAT applies to both domestic and foreign developers and investors in real properties in China, irrespective of whether they are corporate entities or individuals. We incurred LAT expenses of RMB342.5 million, RMB694.4 million, RMB557.6 million and RMB90.7 million in 2015, 2016, 2017 and for the six months ended June 30, 2018, respectively. We believe we have accrued all LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant PRC tax laws, less amounts previously paid under the levy method applied by relevant PRC local tax authorities. However, the provision for LAT requires our management to use a significant amount of judgment and estimates with respect to, among other things, the anticipated proceeds to be derived from the sale of the entire phase of the project or the entire project, the amount of land appreciation and the various deductible items. The relevant PRC local tax authorities may not agree with our estimates or the basis on which we calculate our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the relevant PRC local tax authorities in the future, our results of operations and cash flows will be materially and adversely affected.

Access to and Cost of Financing

Borrowing is an important source of funding for our property developments. As of December 31, 2015, 2016 and 2017, our outstanding borrowings (excluding the 2010 Notes, the 2012 Notes, the January 2013 Notes, the 2014 Notes (which were fully redeemed in January 2017), the 2015 Notes, the May 2016 Notes and the October 2016 Notes) amounted to RMB3,964.4 million, RMB3,367.5 million and RMB9,863.7 million (US$1,490.6 million), respectively; as of June 30, 2018, our outstanding borrowings amounted to RMB15,204.9 million (US$2,297.8 million). As commercial banks in China link the interest rates on their borrowings to the benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for financing our developments. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A significant portion of our finance costs are capitalized rather than being expensed at the time they are incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. The following table sets forth the capitalized finance costs under each eligible assets for capitalization for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
			(in thousands)				
Properties under development for sale	(812,774)	(896,985)	(995,433)	(150,433)	(258,505)	(676,576)	(102,254)
Investment properties under development	(186,155)	(6,346)	(20,523)	(3,102)	(83,647)	(4,966)	(750)
Construction in progress	(22,306)	–	(1,750)	(264)	(1,643)	(4,291)	(648)

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

Timing of Property Development

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

Changes in Product Mix

The prices and gross profit margins of our products vary by the type of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our high gross margin products compared to sales revenue attributable to lower gross margin products. Commercial properties and office spaces in general command higher selling prices than residential properties, and the proportion of commercial/office and residential properties sold may affect our revenue and profitability during the relevant period. In 2015, 2016, 2017 and June 30, 2018, the gross margin for our commercial/office properties was 62.4%, 32%, 26% and 25%, respectively, and the gross margin for our residential properties was 22.4%, 30%, 21% and 21%, respectively. In addition, properties in larger scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our gross margin during the relevant period. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time, and time our project launches according to our development plans.

Change in Fair Value of our Investment Properties

Under HKFRS, we are required to reassess the fair value of our completed investment properties as of the date of the consolidated statement of financial position, and gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statement of comprehensive income in the period in which they arise. As of December 31, 2015, 2016, 2017 and June 30, 2018, the fair value of our investment properties, which include investment properties that are under development, RMB6,884.9 million, RMB6,981.8 million, RMB10,194.2 million (US$1,540.6 million) and RMB10,777.2 million (US$1,628.7 million), respectively. In 2015, 2016, 2017 and the six months ended June 30, 2018, we experienced a gain on fair value changes of investment properties of RMB713.9 million, RMB405.1 million, RMB966.2 million (US146.0 million) and RMB195.0 million (US$29.5 million), respectively. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other independent professional valuers. The fair value of each of our investment properties is likely to continue to fluctuate from time to time in the future, and volatility of our results of operations may increase as a result of fair value gains or losses. Any decrease in the fair value of our investment properties would adversely affect our profitability. We cannot assure you that we will record fair value gains, or that we will not record fair value losses, in the future. In addition, fair value gains or losses do not give rise to any change to our cash position unless the relevant investment property is sold. Therefore, we may experience constraints on our liquidity even though our profitability increases.

Pre-sales

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

Certain Income Statement Items

Revenue

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

	For the year ended December 31,							For the six months ended June 30,				
	2015		2016		2017			2017		2018		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$) (unaudited)	%	(RMB) (unaudited)	(%)	(RMB) (unaudited)	(US$) (unaudited)	%
	(in thousands, except percentages)											
Property development	6,562,066	80.4	8,365,954	76.6	6,598,470	997,185	67.5	2,068,777	56.9	2,563,280	387,372	48.8
Property investment	182,886	2.2	241,778	2.2	243,187	36,751	2.5	116,945	3.2	125,761	19,005	2.4
Property agency services	24,476	0.3	26,770	0.3	57,967	8,760	0.6	27,122	0.7	28,801	4,353	0.5
Property operation services	1,270,014	15.6	1,652,123	15.1	2,015,378	304,571	20.6	978,459	26.9	1,998,773	302,062	38.0
Hotel services	121,620	1.5	113,867	1.0	134,033	20,256	1.4	63,801	1.8	67,370	10,181	1.3
Others	3,235	0.0	520,146	4.8	733,533	110,854	7.5	382,155	10.5	411,526	62,191	7.8
Total	8,164,297	100.0	10,920,638	100.0	9,782,568	1,478,377	100.0	3,637,259	100.0	5,195,511	785,164	100.0

Property Development

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

	For the year ended December 31,									For the six months ended June 30,		
	2015			2016			2017			2018		
	Total Revenue	GFA sold	Avg. Selling Price/Square Meter	Total Revenue	GFA sold	Avg. Selling Price/Square Meter	Total Revenue	GFA Sold	Average selling price	Total Revenue	GFA sold	Avg. Selling Price/Square Meter
	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)
Chengdu MIC Plaza (formerly known as Chengdu Meinian International Plaza, 成都美年國際廣場)	489,725	45,811	10,690	92,710	10,001	9,270	–	–	–	–	–	–
Chengdu Grande Valley (成都大溪穀)	353,002	35,252	10,014	61,350	8,235	7,450	393,724	35,982	10,942	195,151	17,061	11,438
Chengdu Belle Epoque (成都君山)	28,235	6,298	4,483	21,434	7,222	2,968	1,520	165	9,227	–	–	–
Dongguan Mont Conquerant (東莞君山)	–	–	–	–	–	–	8,401	905	9,288	–	–	–
Huizhou Fantasia Special Town (惠州別樣城)	209,520	39,966	5,242	56,553	6,355	8,899	20,466	2,096	9,763	5,497	623	8,823
Suzhou Lago Paradise (蘇州太湖天城)	806,641	123,453	6,534	353,398	42,267	8,361	259,397	14,421	17,987	17,696	2,572	6,880
Chengdu Fantasia Town (成都花樣城)	1,203,322	278,989	4,313	39,532	7,847	5,038	17,815	2,082	8,557	1,579	252	6,266
Chengdu Future Plaza (成都香年廣場)	1,083	100	10,834	4,386	488	8,984	–	–	–	–	–	–
Dongguan Wonderland (東莞江山)	–	–	–	17,971	1,155	15,564	7,277	1,103	6,597	413	84	4,917
Wuxi Love Forever (無錫花郡)	154,336	25,254	6,111	92,574	20,745	4,462	–	–	–	–	–	–
Nanjing Yuhuatai Project (南京花生唐)	–	–	–	3,524	120	29,356	–	–	–	–	–	–
Guilin Fantasia Town (桂林花樣城)	32,263	6,972	4,627	282,505	66,212	4,267	36,915	3,482	10,600	1,029	194	5,304
Dali Human Art Wisdom (大理藝墅花鄉)	–	–	–	–	–	–	3,427	355	9,653	64,582	7,131	9,057
Chengdu Funian Plaza (成都福年廣場)	–	–	–	–	–	–	59,905	23,597	2,539	–	–	–
Chengdu Longnian Plaza (成都龍年廣場)	501,187	107,103	4,679	543,275	130,750	4,155	606,420	108,312	5,599	10,137	1,996	5,079
Guilin Lakeside Eden Community (桂林麓湖國際社區)	428,391	80,892	5,296	642,530	137,306	4,680	540,416	100,954	5,353	626,758	110,517	5,671
Huizhou Love Forever (惠州花郡)	28,703	5,824	4,929	16,992	3,353	5,067	17,606	1,408	12,509	1,650	300	5,500

	For the year ended December 31,									For the six months ended June 30,		
	2015			2016			2017			2018		
	Total Revenue	GFA sold	Avg. Selling Price/Square Meter	Total Revenue	GFA sold	Avg. Selling Price/Square Meter	Total Revenue	GFA Sold	Average selling price	Total Revenue	GFA sold	Avg. Selling Price/Square Meter
	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)
Huizhou TCL Project (惠州TCL項目)	267,001	40,208	6,640	888,723	148,596	5,981	1,514,775	174,525	8,679	30,471	3,114	9,785
Tianjin Love Forever (天津花郡)	95,118	16,139	5,894	223,441	43,972	5,081	277,898	43,445	6,397	137,240	10,248	13,392
Wuxi Hailrun Plaza (無錫喜年廣場)	86,084	11,563	7,445	163,842	29,108	5,629	4,667	665	7,022	–	–	–
Wuhan Love Forever (武漢花郡)	617,635	67,088	9,206	999,925	106,872	9,356	99,599	7,903	12,602	128,590	14,153	9,086
Shenzhen Longnian Building (深圳龍年大廈)	510,644	25,043	20,391	48,550	3,169	15,321	7,059	493	14,315	14,633	1,021	14,332
Ningbo Love Forever (寧波花郡)	651,985	69,126	9,432	730,589	79,829	9,152	8,132	682	11,925	1,257	256	4,910
Suzhou Xinian Plaza (蘇州喜年廣場)	–	–	–	1,445,989	79,647	18,155	130,388	7,685	16,967	1,114	59	18,881
Chengdu Xinian (成都喜年廣場)	–	–	–	1,308	94	13,915	–	–	–	–	–	–
Chengdu Flower Garden (成都花白園)	–	–	–	918	401	2,292	4,128	1,357	3,043	–	–	–
Chengdu Love Forever (成都花郡)	–	–	–	2,161	506	4,270	624	156	4,003	–	–	–
Wuhan Love City (武漢花樣城)	–	–	–	936,236	17,178	54,502	766,380	91,614	8,365	89,767	9,566	9,384
Shenzhen Lenian Plaza (深圳樂年廣場)	–	–	–	529,560	26,003	20,365	139,634	6,806	20,516	45,020	1,351	33,323
Shenzhen Lung Kei Sea (深圳龍岐灣)	–	–	–	149,092	2,639	56,503	156,529	2,563	61,080	–	–	–
Novena Love Forever (新加坡花郡)	–	–	–	–	–	–	627,722	5,072	123,762	876,017	120,070	7,296
Nanjing Xinian Center (南京喜年中心)	–	–	–	–	–	–	830,752	44,534	18,654	–	–	–
Nanjing Fantasia Town (南京花樣城)	–	–	–	–	–	–	–	–	–	–	–	–
Others (including sales of carparks and construction of relocation housing)	97,193	–	–	16,886	–	–	54,894	–	–	314,679	–	–
	6,562,066	–	–	8,365,954	–	–	6,596,470	–	–	2,563,280	–	–

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

Property Investment

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

Property Agency Services

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

Property Operation Services

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

Hotel Services

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

Others

Others primarily represents revenue derived from travel agency services, which was generated from the acquisition of Morning Star Travel. Others mainly included the acquisition of Morning Star Group Limited ("Morning Star") and ASIMCO Investments III Limited ("ASIMCO") at the end of December 2015 and in June 2016 respectively. Morning Star is principally engaged in tourism development business while ASIMCO is engaged in the production of fuel pumps.

Cost of Sales

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

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

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

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

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

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

	For the year ended December 31,							For the six months ended June 30,				
	2015		2016		2017			2017		2018		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$) (unaudited)	(%)	(RMB) (unaudited)	(%)	(RMB) (unaudited)	(US$) (unaudited)	(%)
	(in thousands, except percentages)											
Property development												
Construction costs	2,546,472	45.1	3,497,787	47.3	2,590,195	396,406	50.7	889,321	35.2	1,231,431	186,112	62.8
Land use rights	800,681	14.2	1,089,734	14.7	1,500,577	229,650	29.3	255,318	10.1	337,296	50,977	17.2
Capitalized finance costs	1,261,603	22.3	1,112,518	15.0	1,022,693	156,514	20.0	270,046	10.7	392,182	59,272	20.0
Total property development	4,608,756	81.6	5,700,039	77.1	5,113,465	782,570	74.3	1,414,685	56.0	1,960,909	296,362	50.6
Property investment	11,722	0.2	15,121	0.2	17,419	2,666	0.3	69,314	2.7	38,299	5,788	1.0
Property agency services	2,328	0.0	96,658	1.3	56,773	8,689	0.8	24,719	1.0	28,232	4,267	0.7
Property operation services	888,912	15.7	1,009,012	13.6	901,912	138,029	13.1	594,556	23.5	1,388,999	209,926	35.8
Hotel services	130,890	2.3	104,028	1.4	121,233	18,554	1.8	76,758	3.0	77,041	11,644	2.0
Others	2,946	0.1	467,297	6.3	674,163	103,175	9.8	347,863	13.8	384,062	58,045	9.9
Total	5,645,554	100.0	7,392,155	100.0	6,884,964	1,053,682	100.0	2,527,895	100.0	3,877,542	586,032	100.0

Other Income, Gains and Losses

Other income, gains and losses include bank interest income, change in fair value of option derivatives, investment income from land development, change in fair value of financial assets designated as at FVTPL, unconditional government grants, net exchange loss and others. During the six months ended June 30, 2018, we incurred other losses of RMB257.8 million (US$39.0 million), which was mainly due to an exchange loss resulted from the decrease in the exchange rate of Renminbi against the U.S. dollar.

Changes in Fair Value of Investment Properties

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

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expenses

Income tax expenses represent PRC enterprise income tax and LAT payable by our subsidiaries in China. For 2015, 2016, 2017 and the six months ended June 30, 2018, our effective tax rate (income tax expenses divided by profit before tax) was 48.5%, 57.5%, 45.0% and 71.6%, respectively.

The PRC enterprise income tax has been calculated at the applicable tax rate on the assessable profits for each of 2015, 2016, 2017 and the six months ended June 30, 2018. Under the EIT Law that became effective on January 1, 2008, a uniform income tax rate of 25% was imposed on the taxable income of both domestic enterprises and foreign-invested enterprises, enterprises that were subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after implementation of the EIT Law. As a result of the EIT Law, the applicable enterprise income tax rate for our subsidiaries in Shenzhen and in other areas in China was 25% from 2012 onwards.

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

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

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

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

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

Critical Accounting Policies

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

Revenue Recognition

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

Sales of properties

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

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

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

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

Contract revenue

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

Hotel operation

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

Interest income

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

Government grants

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

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

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

Properties for Sale

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

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

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

Investment Properties

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

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

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

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

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

Borrowing Costs

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

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

Results of Operations

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

	For the year ended December 31,				For the six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
			(in thousands)				
Revenue	8,164,297	10,920,638	9,782,568	1,478,377	3,637,259	5,195,511	785,164
Cost of sales	(5,645,554)	(7,392,156)	(6,884,964)	(1,040,481)	(2,527,895)	(3,877,542)	(585,988)
Gross profit	2,518,743	3,528,482	2,897,604	437,896	1,109,364	1,317,969	199,176
Other income, gains and losses	(108,360)	(585,172)	1,009,049	152,491	185,396	(217,546)	(32,876)
Change in fair value of investment properties	713,887	405,076	966,184	146,013	407,411	195,009	29,470
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	175,922	478,005	118,589	17,922	122,567	236,744	35,778
Selling and distribution expenses	(318,594)	(222,772)	(417,872)	(63,150)	(113,075)	(157,181)	(23,754)
Administrative expenses	(741,241)	(851,273)	(1,229,847)	(185,859)	(573,692)	(689,868)	(104,255)
Finance costs	(302,340)	(932,238)	(1,279,587)	(193,376)	(609,782)	(814,317)	(123,063)
Share of results of associates	626	(2,528)	8,843	1,336	21,071	16,866	2,549
Share of results of joint ventures	(7,324)	48,504	167,670	25,339	29,716	(21,741)	(3,286)
Gain on disposal of subsidiaries	790,039	640,080	326,285	49,309	98,820	766,779	115,878
Profit before taxation	2,721,358	2,506,164	2,566,918	387,921	677,796	632,714	95,617
Income tax expense	(1,318,542)	(1,441,816)	(1,157,207)	(174,881)	(521,392)	(452,803)	(68,429)
Profit for the year	1,402,816	1,064,348	1,409,711	213,041	156,404	179,911	27,189
Profit for the year attributable to:							
Owners of the Company	1,210,610	805,736	1,154,316	174,444	81,270	102,841	15,542
An owner of perpetual capital instrument	63,875	37,550	–	–	–	–	–
Other non-controlling interests	128,331	221,062	255,395	38,596	75,134	77,070	11,647
	1,402,816	1,064,348	1,409,711	213,040	156,404	179,911	27,189

Comparison of the Six Months Ended June 30, 2018 to the Six Months Ended June 30, 2017

Revenue. Our revenue increased by 42.9% to RMB5,195.5 million (US$785.2 million) for the six months ended June 30, 2018 from RMB3,637.3 million for the six months ended June 30, 2017. This was primarily attributed to an increase in the number of newly-recognized properties brought forward to the current period.

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

	For the year ended December 31,							For the six months ended June 30,				
	2015		2016		2017			2017		2018		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$) (unaudited)	%	(RMB) (unaudited)	(%)	(RMB) (unaudited)	(US$) (unaudited)	%
	(in thousands, except percentages)											
Property development	6,562,066	80.4	8,365,954	76.6	6,598,470	997,185	67.5	2,068,777	56.9	2,563,280	387,372	48.8
Property investment	182,886	2.2	241,778	2.2	243,187	36,751	2.5	116,945	3.2	125,761	19,005	2.4
Property agency services	24,476	0.3	26,770	0.3	57,967	8,760	0.6	27,122	0.7	28,801	4,353	0.5
Property operation services	1,270,014	15.6	1,652,123	15.1	2,015,378	304,571	20.6	978,459	26.9	1,998,773	302,062	38.0
Hotel services	121,620	1.5	113,867	1.0	134,033	20,256	1.4	63,801	1.8	67,370	10,181	1.3
Others	3,235	–	520,146	4.8	733,533	110,854	7.5	382,155	10.5	411,526	62,191	7.8
Total	8,164,297	100.0	10,920,638	100.0	9,782,568	1,478,377	100.0	3,637,259	100.0	5,195,511	785,164	100.0

Property development. Revenue derived from property development increased by 23.9% to RMB2,563.3 million (US$387.4 million) for the six months ended June 30, 2018 from RMB2,068.8 million for the six months ended June 30, 2017. The increased was primarily due to the increase in recognized income as a result of the additional properties of the Group brought forward to this year as compared to the corresponding period last year.

Property investment. Revenue derived from property investment increased by 7.7% to RMB125.8 million (US$19.0 million) for the six months ended June 30, 2018 from RMB116.9 million for the six months ended June 30, 2017. The increase was primarily due to an increase in rental area.

Property agency services. Revenue derived from property agency services increased by 6.3% to RMB28.8 million (US$4.4 million) for the six months ended June 30, 2018 from RMB27.1 million for the six months ended June 30, 2017. The increase was primarily due to the expansion of our property segment and the increase in both the GFA of the properties under the Group's management during the period.

Property operation services. Revenue derived from property operation services increased by 104.4% to RMB1,998.8 million (US$302.1 million) for the six months ended June 30, 2018 from RMB978.5 million for the six months ended June 30, 2017. The increase was primarily due to the substantial increase in the GFA of the properties managed by the Group resulting from the acquisition of Wanxiangmei by the end of 2017.

Hotel services. Revenue derived from hotel services increased by 5.6% to RMB67.4 million (US$10.2 million) for the six months ended June 30, 2018 from RMB63.8 million for the six months ended June 30, 2017. The increase was primarily due to the general improvement in our hotel operation.

Other services. Revenue derived from other services increased by 7.7% to RMB411.5 million (US$62.2 million) for the six months ended June 30, 2018 from RMB382.2 million for the six months ended June 30, 2017. The increase was primarily attributable to revenue from Morning Star Group Limited and ASIMCO III Investment Limited, which we acquired in 2016.

Cost of Sales. Our cost of sales increased by 53.4% to RMB3,877.5 million (US$586.0 million) for the six months ended June 30, 2018 from RMB2,527.9 million for the six months ended June 30, 2017. This increase was in line with the growth of our revenue.

Gross Profit. Our gross profit increased by 18.8% to RMB1,318.0 million (US$199.2 million) in the six months period ended June 30, 2018 from RMB1,109.0 million in the six months period ended June 30, 2017. The profit margin was approximately 25.4% for the six months ended June 30, 2018 as compared to 30.5% for the corresponding period in 2017. The decrease in gross profit margin was mainly due to the lower gross profit of rigid demand projects derived from the Group's revenue that brought forward to current period. The GFA of the properties managed by the Group as well as the revenue thereof increased substantially due to the merging of Wanxiangmei in the property management segment. However, the gross profit margin of the property management segment went down as a result of this significant merger and acquisition. Nevertheless, the overall gross profit margin was still able to maintain at a reasonable level.

Other income, gains and losses. We had net other losses of RMB217.5 million (US$32.9 million) for the six months ended June 30, 2018, as compared to net other gains of RMB185.4 million for the six months ended June 30, 2017, which was due to an exchange loss of RMB270 million (the corresponding period in 2017: an exchange gain of RMB248 million) resulting from the depreciation of RMB against U.S. dollars during the period.

Change in fair value of investment properties. Our gain on fair value changes of investment properties decreased by RMB212.4 million to a gain of RMB195.0 million (US$29.5 million) for the six months ended June 30, 2018 from a gain of RMB407.4 million for the six months ended June 30, 2017. The change was mainly due to the sale of investment properties during the period.

Recognition of change in fair in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties increased by 93.1% to RMB236.7 million (US$35.8 million) for the six months ended June 30, 2018 from RMB122.6 million for the six months ended June 30, 2017. The increase was mainly due to an increase in the fair value of the existing investment properties and the reclassification of certain properties held for sale to investment properties.

Selling and distribution expenses. Our selling and distribution expenses increased by 39.0% to RMB157.2 million (US$23.8 million) for the six months ended June 30, 2018 from RMB113.1 million for the six months ended June 30, 2017. The increase was due to the increase in promotional coast incurred for physical advertising, sales agency fee and other expenses.

Administrative expenses. Our administrative expenses increased by 20.2% to RMB689.9 million (US$104.3 million) for the six months ended June 30, 2018 from RMB573.7 million for the six months ended June 30, 2017. The increase was primarily due to the fact that the Group required more staff to support its business development in expanding its operation scale during its community-oriented transformation.

Finance costs. Our finance costs increased by 33.4% to RMB814.3 million (US$123.1 million) for the six months ended June 30, 2018 from RMB609.8 million for the six months ended June 30, 2017. The increase in finance costs was mainly due to the increase in average annual balance of interest-bearing liabilities.

Share of results of associates. We recorded share of gains of associates of RMB16.9 million (US$2.5 million) for the six months ended June 30, 2018 and share of gains of associates of RMB21.1 million for the six months ended June 30, 2017.

Share of results of joint ventures. We recorded share of losses of joint ventures of RMB21.7 million (US$3.3 million) for the six months ended June 30, 2018 and share of gains of associate of RMB29.7 million for the six months ended June 30, 2017.

Gains on disposal of subsidiaries. Our gains on disposal of subsidiaries to RMB766.8 million (US$115.9 million) for the six months ended June 30, 2018 from RMB98.8 million for the six months ended June 30, 2017.

Income tax expenses. Our income tax expenses decreased by 13.1% to RMB452.8 million (US$68.4 million) for the six months ended June 30, 2018 from RMB521.4 million for the six months ended June 30, 2017.

Profit for the period. Our profit for the period increased by 15.0% to RMB179.9 million (US$27.2 million) for the six months ended June 30, 2018 from RMB156.4 million for the six months ended June 30, 2017.

Profit attributable to the owners of the Company. Out profit attributable to the owners of the Company increased by 26.4% to RMB102.8 million (US$15.5 million) for the six months ended June 30, 2018 from RMB81.3 million for the six months ended June 30, 2017.

Profit attributable to other non-controlling interest. Our profit attributable to other non-controlling interests increased by 2.5% to RMB77.0 million (US$11.6 million) for the six months ended June 30, 2018 from RMB75.1 million for the six months ended June 30, 2017.

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Revenue. Our revenue decreased by 10.4% to RMB9,782.6 million in 2017 from RMB10,920.6 million in 2016. This was primarily due to a decrease in the number of newly-recognized properties brought forward to the current period.

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

	For the year ended December 31,				
	2016		2017		
	RMB	%	RMB	US$	%
	(in thousands, except percentages)				
Property development	8,365,954	76.6	6,598,470	997,185	67.5
Property investment	241,778	2.2	243,187	36,751	2.5
Property agency services	26,770	0.2	57,967	8,760	0.6
Property operation services	1,652,123	15.1	2,015,378	304,571	20.6
Hotel services	113,867	1.0	134,033	20,256	1.4
Others	520,146	4.8	733,533	110,854	7.5
Total	10,920,638	100.0	9,782,568	1,478,377	100.0

Property development. Revenue derived from property development decreased by 21.2% to RMB6,598.5 million in 2017 from RMB8,366.0 million in 2016. This decrease was primarily due to the recued number of newly-recognized properties brought forward to this year as compared to last year.

Property investment. Revenue derived from property investment increased by 0.6% to RMB243.2 million in 2017 from RMB241.8 million in 2016. This increase was primarily due to additional area of investment properties leased externally.

Property agency services. Revenue derived from property agency services increased by 116.5% to RMB58.0 million in 2017 from RMB26.8 million in 2016. This increase was primarily due to the increase in the number of communities that the Group had provided agency services and management services to.

Property operation services. Revenue derived from property services increased by 22.0% to RMB2,015.4 million in 2017 from RMB1,652.1 million in 2016. This increase was primarily due to the expansion of its property segment and the increase in both the GFA of the properties under the Group's management and the scope of value-added services provided in 2017.

Hotel services. Revenue derived from hotel services increased by 17.7% to RMB134.0 million in 2017 from RMB113.9 million in 2016. This increase was primarily due to the enhanced popularity of the Four points by Sheraton Chengdu Pujiang Resort and the noticeable growth in its revenue since its opening in late 2016 as well as optimization of hotel assets by closing ill-operated hotels.

Others. Revenue derived from others increased by 41.0% to RMB733.5 million in 2017 from RMB520.1 million in 2016. This increase was primarily attributable to revenue from Morning Star Group Limited and ASIMCO III Investment Limited, which we acquired in 2016.

Cost of sales. Our cost of sales decreased by 6.9% to RMB6,885.0 million in 2017 from RMB7,392.2 million in 2016. This increase was in line with the growth of our revenue.

Gross profit. Our gross profit decreased by 17.9% to RMB2,897.6 million in 2017 from RMB3,528.5 million in 2016. Our gross profit margin increased to 29.6% in 2017 from 32.3% in 2016. This decrease in gross profit margin was due to lower gross profit of newly-recognised properties brought forward to 2017 as compared to 2016.

Other income, gains and loss. We had net other gain of RMB1,009.0 million in 2017 as compared to net other losses of RMB585.2 million in 2016. The differences was mainly attributable to the exchange gain of RMB599 million in 2017 and the acquisition of Shenzhen Xingfu Wanxiang Investment Partnership Co., Ltd., and Nanjing Zhouchu Real Estate Development Co., Ltd., which changed from joint venture enterprises to subsidiaries with gain on remeasurement of RMB459 million and RMB103 million respectively.

Change in fair value of investment properties. Our fair value changes of investment properties increased by RMB561.1 million to RMB966.2 million in 2017 from a gain of RMB405.1 million in 2016. The change was mainly due to an increase in fair value of our investment properties.

Recognition of change in fair in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties decreased by 75.2% to RMB118.6 million in 2017 from RMB478.0 million in 2016. The decrease was mainly due to completed properties for sale with an aggregate carrying amount of RMB294,978,000 were transferred to investment properties upon change in use as evidenced by signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to RMB118,589,000 were recognised in the consolidated statement of profit or loss and other comprehensive income.

Selling and distribution expenses. Our selling and distribution expenses increased by 87.6% to RMB417.9 million in 2017 from RMB222.8 million in 2016. The increase was mainly due to the increase in advertising expenses of physical-form advertisements, sales agency fee and other expenses.

Administrative expenses. Our administrative expenses increased by 44.5% to RMB1,229.8 million in 2017 from RMB851.3 million in 2016. This increase was primarily due to the increase in staff headcount that required to support the scale of the Group's operation due to expansion during its development and transformation to become a community-based company.

Finance costs. Our finance costs increased by 37.3% to RMB1,279.6 million in 2017 from RMB932.2 million in 2016. The increase in finance costs was mainly due to the increase in average annual balance of interest-bearing liabilities, which offsets the effect arising from the slight decrease in overall interest rate.

Share of results of associates. We recorded share of gain of associates of RMB8.8 million in 2017 and share of losses of associates of RMB2.5 million in 2016.

Share of results of joint ventures. We recorded share of gains of joint ventures of RMB167.7 million in 2017 and share of gains of joint ventures of RMB48.5 million in 2016.

Gains on disposal of subsidiaries. Our gains on disposal of subsidiaries to RMB326.3 million in 2017 from RMB640.1 million in 2016.

Income tax expenses. Our income tax expenses decreased by 19.7% to RMB1,157.2 million in 2017 from RMB1,441.8 million in 2016.

Profit for the period. Our profit for the period decreased by 32.5% to RMB1,409.7 million in 2017 from RMB1,064.3 million in 2016.

Profit attributable to owners of the Company. Our profit attributable to the owners of the Company increased by 43.3% to RMB1,154.3 million in 2017 from RMB805.7 million in 2016.

Profit attributable to an owner of perpetual capital instrument of the Company. We do not have profit attributable to an owner of perpetual capital instrument of the Company in 2017. We recorded profit attributable to an owner of perpetual capital instrument of the Company of RMB37.6 million in 2016.

Profit attributable to other non-controlling interests. Our profit attributable to other non-controlling interests increased by 15.5% to RMB255.4 million in 2017 from RMB221.0 million in 2016.

Comparison of the Year Ended December 31, 2016 to the Year Ended December 31, 2015

Revenue. Our revenue increased by 33.8% to RMB10,920.6 million in 2016 from RMB8,164.3 million in 2015. This was primarily due to our further diversified business portfolio and an increase in revenue derived from sales of our developed properties, property investment, property agency services and property operation services.

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

	For the year ended December 31,				
	2015		2016		
	RMB	%	RMB	US$ (unaudited)	%
	(in thousands, except percentages)				
Property development	6,562,006	80.4	8,365,954	1,264,293	76.6
Property investment	182,886	2.2	241,778	36,538	2.2
Property agency services	24,476	0.3	26,770	4,046	0.2
Property operation services	1,270,014	15.6	1,652,123	249,675	15.1
Hotel services	121,620	1.5	113,867	17,208	1.0
Others	3,235	0.0	520,146	78,606	4.8
Total	8,164,237	100.0	10,920,638	1,650,366	100.0

Property development. Revenue derived from property development increased by 27.5% to RMB8,366.0 million in 2016 from RMB6,562.0 million in 2015. This increase was primarily due to an increase in the GFA and the selling price of the properties we delivered. For information on changes in selling prices of our properties delivered in the respective periods, see "– Certain Income Statement Items – Revenue – Property Development."

Property investment. Revenue derived from property investment increased by 32.2% to RMB241.8 million in 2016 from RMB182.9 million in 2015. This increase was primarily due to an increase in investment properties leased externally.

Property agency services. Revenue derived from property agency increased by 9.4% to RMB26.8 million in 2016 from RMB24.5 million in 2015. This increase was primarily due to an increase in the number of communities we managed for which we provided property agency services.

Property operation services. Revenue derived from hotel services increased by 30.1% to RMB1,652.1 million in 2016 from RMB1,270.0 million in 2015. The increase was primarily due to an increase in the GFA of properties that we managed and an increase in the coverage of value-added services provided to our customers in 2016.

Hotel services. Revenue derived from hotel services decreased by 6.4% to RMB113.9 million in 2016 from RMB121.6 million in 2015. This decrease was primarily due to our disposal of Shenzhen U- hotel in December 2015.

Others. Revenue derived from others increased to RMB520.1 million in 2016 from RMB3.2 million in 2015. This significant increase was primarily due to revenue derived from travel agency services as a result of our acquisition of Morning Star Travel and ASIMCO Investments III Limited.

Cost of Sales. Our cost of sales increased by 30.9% to RMB7,392.2 million in 2016 from RMB5,645.6 million in 2015. This was primarily due to an increase in property operation services cost in 2016, which was attributable to an increase in the proportion of property management service with fees charged on a lump sum basis and an increase in the communities that we provided with value-added services in 2016.

Gross Profit. Our gross profit increased by 40.1% to RMB3,528.5 million in 2016 from RMB2,518.7 million in 2015. Our gross profit margin increased to 32.3% in 2016 as compared to 30.9% in 2015. This increase in gross profit margin was primarily attributable to the increase in sales of our properties driven by the upturn of the property market in Shenzhen and an increase in the cost of revenue in Colour Life and Home E&E as a result of their business expansion.

Other income, gains and losses. We had net other losses of RMB585.2 million in 2016, as compared to net other losses of RMB108.4 million in 2015. The difference was mainly attributable to an exchange loss of RMB665.8 million resulting from the decrease in the exchange rate of RMB against U.S. dollars in 2016.

Change in fair value of investment properties. Our gain on fair value changes of investment properties decreased by 43.3% to RMB405.1 million in 2016, as compared to a gain on fair value changes of investment properties in the amount of RMB713.9 million in 2015. This decrease was primarily due to the impact of new policies of replacing sales tax with VAT on accounting treatment and the impact of the fluctuation of certain commercial rent.

Recognition of change in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties increased 171.7% to RMB478.0 million in 2016, as compared to RMB175.9 million in 2015. This significant increase was primarily due to the increase in fair value of certain completed projects upon transfer to investment properties.

Selling and distribution expenses. Our selling and distribution expenses decreased by 30.1% to RMB222.8 million in 2016 from RMB318.6 million in 2015. This decrease was primarily due to a decrease in advertising and marketing expenses and sales agency fees.

Administrative expenses. Our administrative expenses increased by 14.8% to RMB851.3 million in 2016 from RMB741.2 million in 2015. This increase was primarily due to the increase in the number of staff to support our Group's expansion.

Finance costs. Our finance costs increased by 208.3% to RMB932.2 million in 2016 from RMB302.3 million in 2015, primarily due to the increase in annual balance of interest-bearing liabilities.

Share of results of associates. We recorded share of losses of associates of RMB2.5 million and profits of RMB0.6 million in 2016 and 2015, respectively.

Share of results of joint ventures. We recorded share of profits of joint ventures of RMB48.5 million and losses of RMB7.3 million in 2016 and 2015, respectively.

Gain on disposal of subsidiaries. Our gain on disposal of subsidiaries decreased to RMB640.1 million in 2016 from RMB790.0 million in 2015.

Income tax expense. Our income tax expenses increased by 9.3% to RMB1,441.8 million in 2016 from RMB1,318.5 million in 2015. This increase was primarily due to the increase in land appreciation tax.

Profit for the year. As a result of the foregoing, our profit for the year decreased by 24.1% to RMB1,064.3 million in 2016 from RMB1,402.8 million in 2015.

Profit attributable to owners of the Company. Profit attributable to owners of the Company decreased by 33.4% to RMB805.7 million in 2016 from RMB1,210.6 million in 2015.

Profit attributable to an owner of perpetual capital instrument. Profit attributable to an owner of perpetual capital instrument decreased by 41.2% to RMB37.6 million in 2016 from RMB63.9 million in 2015.

Profit attributable to other non-controlling interests. Our profit attributable to other non-controlling interests increased to RMB221.1 million in 2016 as compared to RMB128.3 million in 2015.

Liquidity and Capital Resources

Cash Flows

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

	For the year ended December 31,				For the six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
				(in thousands)			
Net cash from (used in) operating activities	1,963,406	(1,751,816)	681,655	103,014	1,085,906	(49,820)	(7,529)
Net cash from (used in) investing activities	(1,023,929)	931,209	(1,683,649)	(254,439)	(615,240)	(397,700)	(60,102)

	For the year ended December 31,				For the six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
				(in thousands)			
Net cash from financing activities	(1,808,896)	7,002,682	6,362,888	961,582	(798,564)	7,045,201	1,064,696
Net increase in cash and cash equivalents	(869,419)	6,182,075	5,360,894	810,157	(327,898)	6,597,681	997,065
Cash and cash equivalents at end of year or period .	2,881,511	9,136,526	14,335,075	2,166,368	8,588,772	20,783,247	3,140,839

Cash Flows from/used in Operating Activities

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

In the six months ended June 30, 2018, our net cash used in operating activities was RMB49.8 million (US$7.5 million). Cash inflow from operating activities during the period was the result of an increase in properties for sales of RMB2,358.4 million (US$356.4 million), deposit paid for acquisition of land use right of RMB224.8 million (US$34.0 million), an increase in trade and other receivables of RMB568.0 million (US$85.8 million), income tax paid of RMB605.7 million (US$91.5 million) and interests paid of 869.1 million (US$131.3 million), partially offset by an increase in contract liabilities of RMB4,124.8 million (US$623.4 million).

In 2017, our net cash from operating activities was RMB681.7 million. Cash from operating activities in 2017 was primarily the result of an increase in deposits received for sale of properties of RMB2,227.0 million, an increase in trade and other payables of RMB1,316.6 million and a decrease in trade and other receivables of RMB1,035.4 million, partially offset by the interest paid of RMB2,134.5 million and a decrease in properties for sale of RMB2,404.0 million.

In 2016, our net cash used in operating activities was RMB1,751.8 million. Cash used in operating activities in 2016 primarily was the result of a decrease in deposits received for sale of properties of RMB2,447.9 million, a decrease in trade and other payables of RMB1,663.3 million, additions to prepaid lease payments of RMB1,073.3 million and interest paid of RMB1,508.4 million, partially offset by a decrease in properties of sale for RMB3,581.4 million.

In 2015, our net cash from operating activities was RMB1,963.4 million. Cash from operating activities in 2015 primarily was the result of profit before taxation of RMB2,721.4 million, a decrease in land development expenditure of RMB315.9 million, an increase in trade and other payables of RMB861.8 million, and an increase in deposits received for sale of properties of RMB1,621.6 million, partially offset by a decrease in properties for sale of RMB705.3 million, a decrease in trade and other receivables of RMB267.1 million, income tax paid of RMB521.7 million and interest paid of RMB1,120.4 million.

Cash Flows Used in Investing Activities

In the six months ended June 30, 2018, our net cash used in investing activities was RMB397.7 million (US$60.1 million). Cash used in operating activities during the period was included settlement of consideration payables and amount due to non-controlling shareholder for acquisition of assets and liabilities of RMB1,402.2 million (US$211.9 million), purchases of property, plant and equipment of RMB235.1 million (US$35.5 million), additions to investment properties of RMB249.7

million (US$37.7 million), payment of deposits paid for acquisition of subsidiaries and associates of RMB889.5 million (US$134.4 million) and advances to joint ventures of RMB629.2 million (US$95.1 million).

In 2017, our net cash used in investing activities amounted to RMB1,683.7 million. The primary factors affecting net cash used in investing activities in this period included: additions to investment properties of RMB1,721.3 million, acquisition of assets and liabilities through acquisition of subsidiaries of RMB835.5 million, deposits paid for potential acquisitions of subsidiaries of RMB635.7 million and purchase of property, plant and equipment of RMB502.9 million, partially offset by proceeds from disposal of investment properties of RMB867.5 million and acquisition of business of RMB915.0 million.

In 2016, our net cash used in investing activities was RMB931.2 million. Cash used in investing activities in this period included: settlement of consideration payables for acquisition of assets and liabilities through acquisition of subsidiaries of RMB565.6 million, advances to joint ventures of RMB1,936.4 million, additions to investment properties of RMB294.2 million, purchases of property, plant and equipment of RMB213.9 million and advances to non-controlling shareholders of RMB50.0 million, partially offset by disposal of subsidiaries of RMB1,812.5 million.

In 2015, our net cash used in investing activities was RMB1,023.9 million. Cash used in investing activities in 2015 included: a decrease in restricted/pledged bank deposits of RMB421.9 million, settlement of consideration payables on acquisition of assets and liabilities through acquisitions of subsidiaries and acquisition of business of RMB861.6 million, purchases of property, plant and equipment of RMB423.9 million, additions to investment properties of RMB604.3 million, acquisition of businesses (net of cash and cash equivalents acquired) of RMB529.0 million, and advance to a related party of RMB183.7 million, partially offset by settlement of consideration receivables of disposal of subsidiaries of RMB492.9 million, proceeds from disposal of property, plant and equipment of RMB121.2 million, disposal of subsidiaries of RMB1,432.5 million, and redemption of financial assets designated as at FVTPL of RMB110.0 million.

Cash Flows from/Used in Financing Activities

In the six months ended June 30, 2018, our net cash from financing activities was RMB7,045.2 million (US$1,064.7 million). Cash from financing activities during the period mainly included: net proceeds from the issuance of senior notes and bonds of RMB6,222.9 million (US$940.4 million) and net borrowings raised of RMB7,078.1 million (US$1,069.7 million), partially offset by repayment of senior notes of RMB4,380.7 million (US$662.0 million) and repayment of borrowings of RMB1,762.6 million (US$266.4 million).

In 2017, our net cash from financing activities amounted to RMB6,362.9 million. The primary factors affecting net cash used in financing activities in this period included: net proceeds from the issuance of senior notes and bonds of RMB5,419.2 million, net borrowings raised of RMB7,216.0 million and deemed disposal of partial interests in subsidiaries without loss of control of RMB2,402.6 million, partially offset by repayment of borrowings of RMB3,401.0 million, redemption of senior notes of RMB2,140.3 million and repayment of senior notes of RMB1,454.2 million.

In 2016, our net cash generated from financing activities was RMB7,002.7 million. The primary factors affecting net cash from financing activities in this period included: net proceeds from the issuance of senior notes and bonds of RMB9,304.8 million, new borrowings raised of RMB2,312.8 million and advances from joint ventures and associates of RMB1,452.2 million, partially offset by repayment of borrowings of RMB2,988.4 million, repayment of senior notes of RMB1.0 billion, repurchase of perpetual capital instrument of RMB700.0 million and repayment to joint ventures of RMB1,126.7 million.

In 2015, our net cash used in financing activities was RMB1,808.9 million. The primary factors affecting net cash used in financing activities in 2015 included: net proceeds from the issuance of senior notes and bonds of RMB3,211.3 million, new borrowings raised RMB1,583.0 million, proceeds from disposal of partial interests in subsidiaries without loss of control of RMB301.5 million and advances from a joint venture of RMB440.8 million, offset by repayment of borrowings of RMB5,768.9 million, repayment of senior notes of RMB795.9 million, dividend paid to shareholders of the Company of RMB245.0 million and repayment to a joint venture of RMB403.4 million.

We resolved that no interim dividend be paid for the six months ended June 30, 2018.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments from internal funds, borrowings from banks, proceeds from sales and pre-sales of our properties, capital contributions from shareholders and proceeds from issuance of equity and debt securities, such as our IPO in November 2009, issuance of the 2010 Notes in May 2010, issuance of the 2012 Notes in September 2012, issuance of the January 2013 Notes in January 2013, issuance of the May 2013 Notes in May 2013, issuance of the 2014 Notes in January 2014, issuance of the 2015 Notes in June 2015, issuance of the May 2016 Notes, issuance of the October 2016 Notes in 2016, issuance of the June 2017 Notes, issuance of the July 2017 Notes in 2017, issuance of the February 2018 Notes issuance of the March 2018 Notes, issuance of Existing Notes and issuance of July 2018 Notes in 2018. Our financing methods may vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Bank Balances and Cash

As of December 31, 2015, 2016, 2017 and June 30, 2018, our bank balances and cash amounted to RMB2,881.5 million, RMB9,136.5 million, RMB14,335.1 million (US$2,166.4 million) and RMB20,783.3 million (US$3,140.8 million), respectively.

Our bank balances and cash increased by RMB6,448.2 million (US$974.5 million) or 45.0%, from December 31, 2017 to June 30, 2018, primarily due to net cash inflow from operating and financing activities, partially offset by net cash inflow from investing activities in the six months ended June 30, 2017.

Our bank balances and cash increased by RMB5,198.6 million (US$785.6 million), or 56.9%, from year ended December 31, 2016 to year ended December 31, 2017, primarily due to net cash inflow from operating activities and financing activities, partially offset by cash outflow from investing activities.

Our bank balances and cash increased by RMB6,255.0 million, or 217.1%, to RMB9,136.5 million as of December 31, 2016 from RMB2,881.5 million as of December 31, 2015, primarily due to net cash inflow from investing and financing activities, partially offset by net cash outflow from operating activities in 2016.

Our bank balances and cash decreased by RMB856.5 million, or 22.9%, to RMB2,881.5 million as of December 31, 2015 from RMB3,738.0 million as of December 31, 2014, primarily due to net cash outflow in investing activities and financing activities in 2015, partially offset by net cash inflow from operating activities.

Borrowings

Our borrowings primarily consist of loans from commercial banks and other financial institutions. As of June 30, 2017, we had an aggregate bank borrowings of RMB2,722.7 million (US$411.5 million), which was denominated in Renminbi, U.S. dollars and Hong Kong dollars. Substantially all of our borrowings are secured by land use rights and properties of our Group. We have, since June 30, 2017, entered into additional financing arrangements in the ordinary course of business to finance our property developments and for general corporate purposes.

Our borrowings have a range of maturities from less than one year to more than five years. As of June 30, 2018, the interest rate for our fixed rate borrowings is 1.37% to 14% per annum and our variable rate borrowings have variable interest rates at either the Hong Kong Interbank Offering Rate plus 1.0%, the London Interbank Offered Rate plus 2.83%, or the benchmark lending rate of the PBOC ranging from plus 4.35% to plus 4.90% per annum.

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

	As of December 31,				As of June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
				(in thousands)			
Bank loans	3,164,412	2,826,679	4,936,910	746,084	2,722,660	8,589,430	1,298,164
Other loans[(1)]	800,000	540,787	4,926,735	744,546	587,355	6,615,503	999,834
	3,964,412	3,367,466	9,863,645	1,490,630	3,310,015	15,204,933	2,297,998
Secured	3,914,412	3,268,856	6,215,822	939,357	2,981,698	11,414,130	1,724,945
Unsecured	50,000	98,610	3,647,823	551,272	328,317	4,063,803	614,137
	3,964,412	3,367,466	9,863,645	1,490,629	3,310,015	15,477,933	2,339,082
Carrying amount repayable:							
Within one year	1,407,598	929,458	3,022,026	456,699	1,657,247	5,538,267	837,026
More than one year, but not exceeding two years	1,225,488	1,559,468	3,951,279	597,132	289,590	3,643,308	550,631
More than two years, but not exceeding five years	1,242,871	776,035	2,766,372	418,064	786,529	5,938,389	897,499
More than five years.	88,455	102,505	123,968	18,734	576,649	84,969	12,842
	3,964,412	3,367,466	9,863,645	1,490,629	3,310,015	15,204,933	2,297,998
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	–	–	–	–	–	–	–
Less: Amounts due within one year shown under current liabilities	(1,407,598)	(929,458)	(3,022,026)	(456,699)	(1,657,247)	(5,538,267)	(837,026)
Total	2,556,814	2,438,008	6,841,619	1,033,930	1,652,768	9,666,666	1,460,972

Note:

(1) *Other loans amounting to RMB2,829,100,000 (2016: RMB300,000,000) represented loans provided by certain trust companies, which is partially secured by equity interest of a subsidiary of the Company, carrying interest rate of 9.2% (2016: 9.3%) per annum. The loan balance as at December 31, 2017 will be fully repaid within 2019.*

Other loans amounting to RMB31,500,000 (2015: nil) represented loans provided by a commercial factoring company, which is secured by trade receivables, carrying interest rate ranging from 8.0% to 8.5% per annum. The loan balance as at December 31, 2017 had been fully repaid.

Other loans amounting to RMB642,985,000 (2016: RMB201,027,000) is secured by a hotel building, carrying interest of 8.4% per annum. The loan balance as at December 31, 2017 will be fully repaid within 2019. Other loans amounting to RMB1,000,000 (2016: nil) refers to the 8.63% loans provided by the joint venture partner of Shenzhen Shixiang.

The remaining balance of other loans amounting to RMB423,150,000 (2016: RMB8,260,000) carrying interest rate of 8.9% is unsecured and will be fully repaid within 2022.

January 2013 Notes

On January 22, 2013 we issued an aggregate principal amount of US$250 million of the January 2013 Notes to refinance our existing indebtedness, finance our existing and new project development projects and for other general corporate purposes. As of December 31, 2016, the entire principal amount of the January 2013 Notes remained outstanding.

May 2016 Notes

On May 4, 2016, we issued an aggregate principal amount of RMB600 million of the 2016 Original Notes to refinance certain of our existing indebtedness. As of December 31, 2016, the entire principal amount of the 2016 Original Notes remained outstanding. On August 29, 2016, we issued the 2016 Additional Notes in the amount of RMB1.0 billion also to refinance certain of our existing indebtedness.

October 2016 Notes

On October 4, 2016, we issued an aggregate principal amount of US$400 million of the October 2016 Notes to refinance our existing indebtedness. On December 29, 2016, we issued the additional October 2016 Notes in the amount of US$100 million also to refinance certain of our existing indebtedness. As of December 31, 2016, the entire principal amount of the October 2016 Notes remained outstanding.

July 2017 Notes

On July 5, 2017, we issued an aggregate principal amount of US$300 million of the July 2017 Notes to refinance our existing indebtedness. As of the date of this exchange offer memorandum, the entire principal amount of the July 2017 Notes remained outstanding.

February 2018 Notes

On February 14, 2018, we issued an aggregate principal amount of US$300 million of the February 2018 Notes to refinance our existing indebtedness. As of the date of this exchange offer memorandum, the entire principal amount of the February 2018 Notes remained outstanding.

March 2018 Notes

On March 8, 2018, March 16, 2018 and May 7, 2018, we issued a total aggregate principal amount of US$600 million of the March 2018 Notes to refinance our existing indebtedness. As of the date of this exchange offer memorandum, the entire principal amount of the March 2018 Notes remained outstanding.

Existing Notes

On June 5, 2018, we issued a total aggregate principal amount of US$100 million of the Existing Notes to refinance our existing indebtedness. As of the date of this exchange offer memorandum, the entire principal amount of the Existing Notes remained outstanding.

July 2018 Notes

On July 16, 2018, we issued a total aggregate principal amount of US$140 million of the July 2018 Notes to refinance our existing indebtedness. As of the date of this exchange offer memorandum, the entire principal amount of the July 2018 Notes remained outstanding.

2015 Onshore Bonds

On September 18, 2015, Fantasia Group (China) Co., Limited (花樣年集團(中國)有限公司) ("Fantasia Group China"), a wholly owned subsidiary of the Company, issued public domestic corporate bonds in aggregate amount of RMB2 billion with an interest rate of 6.95% to reduce our capital costs and foreign exchange risk and lay a solid foundation for the expansion of our business scale and sustainable development. As of June 30, 2018, the entire principal amount of the 2015 Onshore Bonds remained outstanding.

2016 Onshore Bonds

In 2016, we issued seven tranches of domestic corporate bonds through our subsidiaries. On January 4, 2016, Fantasia Group China issued public domestic corporate bonds of RMB1.1 billion with an interest rate of 7.29% per annum which will mature on December 31, 2020. On January 29, 2016, Colour Life, a non-wholly owned subsidiary of the Company which is an Unrestricted Subsidiary under our 2012 Notes, January 2013 Notes, 2015 Notes, May 2016 Notes, October 2016 Notes and the Notes, issued non-public domestic corporate bonds of RMB100 million with an interest rate of 6.7% per annum which will mature on January 28, 2019. On May 19, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB500 million with an interest rate of 7.50% per annum which will mature on May 19, 2019. On July 15, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB331 million with an interest rate of 6.80% per annum which will mature on July 15, 2018. On August 17, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB1.3 billion with an interest rate of 7.20% per annum which will mature on August 17, 2018. On August 23, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB300 million with an interest rate of 7.30% per annum which will mature on August 23, 2018. On September 7, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB569 million with an interest rate of 6.60% per annum which will mature on September 7, 2018.

As of June 30, 2018, the RMB370.0 million of the seven tranches of the 2016 Onshore Bonds remained outstanding.

On November 10, 2017, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB150,000,000, which are listed on SZSE. The 2017 Corporate Bonds are unsecured and carry interest at rate of 7.0% per annum, commencing on November 10, 2018. The interest is payable annually. The issue price is 96.3% of the principal amount of the 2017 Onshore Bonds. The effective interest rate is 8.4% per annum.

The 2017 Onshore Bonds will mature on November 10, 2020.

As of June 30, 2018, the entire principal amount of the 2017 Onshore Bonds remained outstanding.

Assets Backed Securities

In August 2016, Shenzhen Colour Life, our non-wholly owned subsidiary and an unrestricted subsidiary under our senior notes, issued assets backed securities ("ABS") under securitization arrangements collateralized by the future cash inflows relating to certain trade receivables for the payments of property management fee. The ABS were issued at a discount of 5% with aggregate nominal value of RMB300,000,000 and with carry interests ranging from 4.5% to 6.1% per annum. The principal and interest are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates range from 6.9% to 8.3% per annum. As of the date of the memorandum, the ABS remained outstanding.

Commitments

As of June 30, 2018, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB594.1 million (US$89.8 million), primarily arising from committed payment for properties for sale, investment properties, acquisition of subsidiaries and capital expenditure. The following table sets forth our contractual obligations, other than loans and borrowings, as of the dates indicated:

	As of December 31,				As of June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited) (in thousands)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
Operating lease commitments:							
Within one year	12,684	47,023	43,221	6,532	44,087	45,739	6,912
In the second to the fifth year inclusive	–	589,542	169,698	25,645	171,080	177,945	26,892
After the fifth year	–	–	375,614	56,764	398,792	370,414	55,978
	12,684	636,565	588,533	88,941	613,959	594,098	89,782
Other commitments:							
Construction commitments in respect of properties for sale contracted for but not provided in the condensed consolidated financial statements	3,736,077	1,421,711	2,417,987	365,415	1,329,617	5,850,935	884,214
Construction commitments in respect of investment properties contracted for but not provided in the condensed consolidated financial statements.	130,719	182,699	254,390	38,444	329,500	175,043	26,453
Consideration commitments in respect of acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements	84,556	18,142	870,720	131,586	13,002	59,610	9,009
Consideration commitments in respect of acquisition of subsidiaries authorised but not yet contracted	–	–	–	–	–	–	–
Consideration commitments in respect of capital expenditure in respect of the acquisition of property, plant and equipment authorised but not yet contracted	39,575	–	–	–	–	–	–
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statement	3,695	21,325	23,066	3,486	21,249	34,895	5,274
	3,994,622	1,643,877	3,566,163	538,931	1,693,368	6,120,483	924,950

Contingent Liabilities

As of June 30, 2018, we provided guarantees to PRC banks for loans with an aggregate principal amount of RMB8,464.7 million (US$1,279.2 million), in respect of mortgages provided by the banks to purchasers of the properties we developed and sold. Our guarantees are issued from the dates of grant of the relevant mortgages and released upon issuance of property ownership certificates or after the full repayment of the underlying mortgages by the purchasers.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by purchasers of the properties, we are responsible to repay the outstanding mortgage loans, together with accrued interests thereon and any penalty owed by the purchasers in default to banks. We are entitled to take over the legal title of the related properties. The guarantee period commences from the date of grant of the relevant mortgage loan and ends after the relevant purchaser obtains the individual property ownership certificate.

Off-balance Sheet Commitments and Arrangements

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

Market Risks

We are exposed to various types of market risks in the normal course of business.

Commodities Risk

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

Interest Rate Risk

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

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits. The PBOC benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2015, 2016, 2017 and June 30, 2018 were 4.35%, 4.35%, 4.35% and 4.35%, respectively.

Foreign Exchange Rate Risk

We conduct our business exclusively in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S.

dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. Fluctuations in the value of Renminbi to the U.S. dollar may adversely affect our cash flows, revenue, earnings and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange losses on bank balances and other assets we maintain in non-Renminbi currencies. See "Risk Factors – Risks Relating to the PRC – Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on your investment." We currently do not hedge our foreign exchange risk but may do so in the future.

Non-GAAP Financial Measures

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

- fair value change of investment properties;
- recognition of change in fair value of completed properties for sales upon transfer to investment properties;
- impairment loss recognized in respect of goodwill;
- interest income/expense (including those interest expense previously capitalized as assets and currently released to cost of sales and services in the consolidated statement of profit or loss and other comprehensive income);
- amortization of intangible assets;
- non-operating income/expense;
- income tax expense; and
- depreciation.

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

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

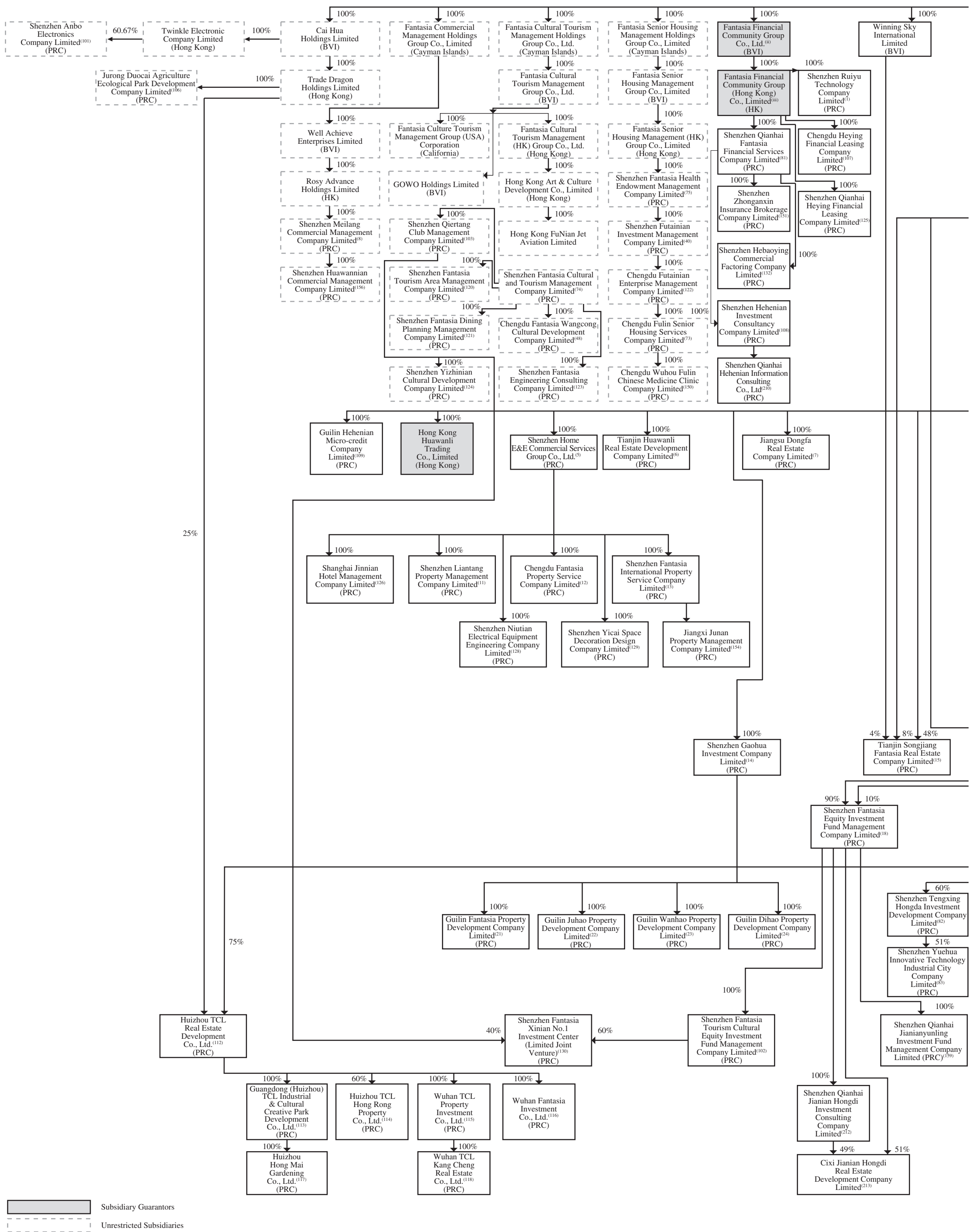
The following table reconciles our profit for the year under HKFRS to our definition of EBITDA for the years indicated.

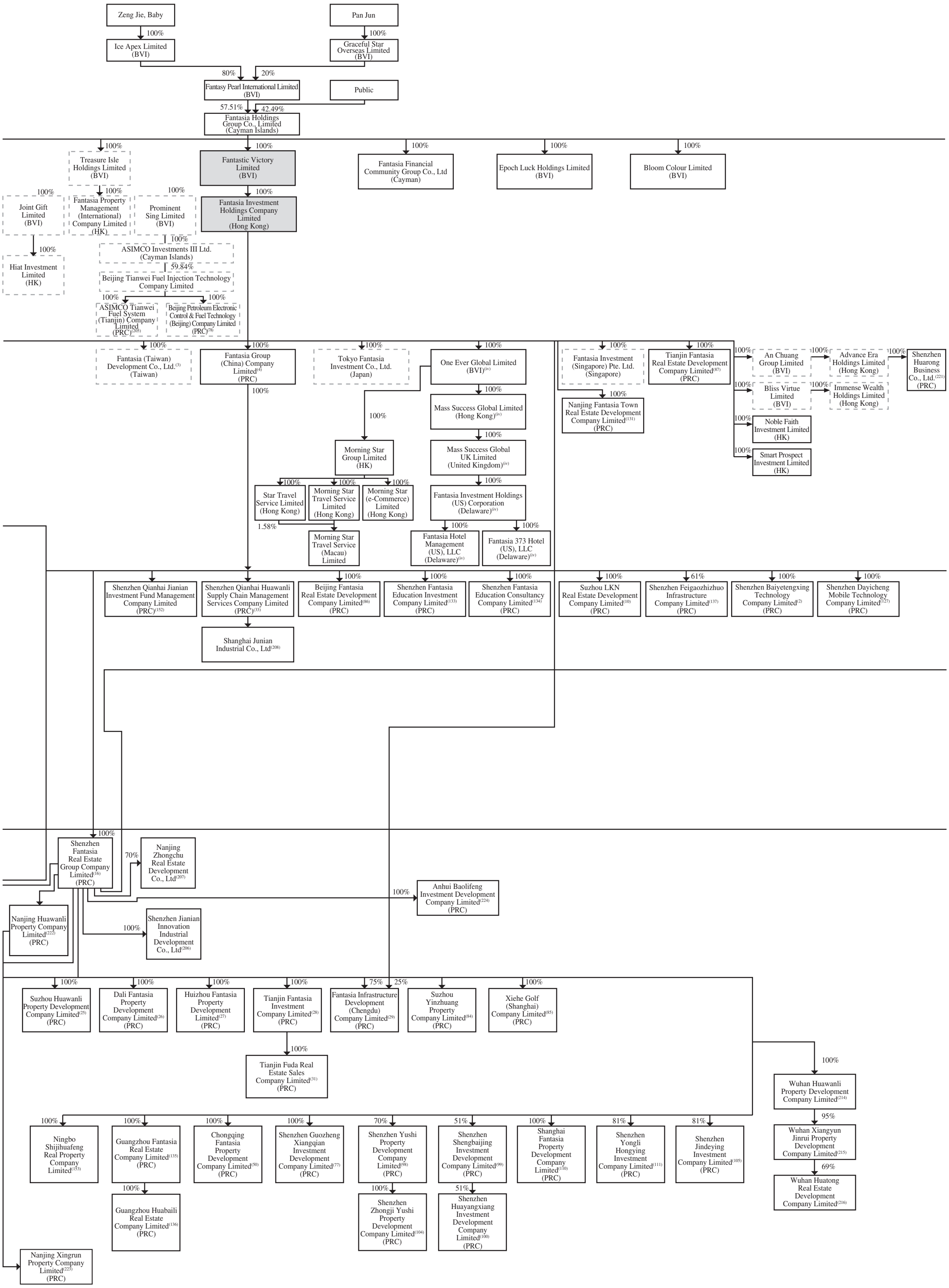
	For the year ended December 31,				For the six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited) (in thousands)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
Profit for the year	1,402,816	1,064,348	1,409,711	213,041	156,404	179,911	27,189
Adjustments:							
Gain on fair value changes of investment properties	(713,887)	(405,076)	(966,184)	(146,013)	(407,411)	(195,009)	(29,470)
Recognition of change in fair value of completed properties for sales upon transfer to investment properties	(175,922)	(478,005)	(118,589)	(17,922)	(122,567)	(236,744)	(35,778)
Change in fair value of option derivatives	(6,917)	–	–	–	–	–	–
Change in fair value of financial assets designated as at FVTPL	442	(2,828)	(4,457)	(674)	(2,849)	(3,975)	(601)
Finance cost – net	1,533,816	2,011,496	2,213,649	334,535	831,125	1,131,480	171,006
Interest expenses	302,340	932,238	1,279,587	193,376	609,782	814,317	123,063
Interest income	(30,127)	(33,260)	(88,631)	(13,394)	(48,703)	(75,019)	(11,337)
Finance costs in cost of sales	1,261,603	1,112,518	1,022,693	154,553	270,046	392,182	59,272
Share-based payments	90,923	81,955	47,216	7,135	23,503	7,068	1,068
Income tax expense	1,318,542	1,441,816	1,157,207	174,881	521,392	452,803	68,429
Depreciation expenses	130,213	174,102	176,906	26,735	95,622	105,338	15,919
Amortization expenses	32,534	58,965	56,189	8,491	44,232	77,260	11,677
EBITDA	3,611,964	3,946,773	3,971,648	600,209	1,139,451	1,518,132	229,443
EBITDA margin	44%	36%	41%	41%	31%	29%	29%

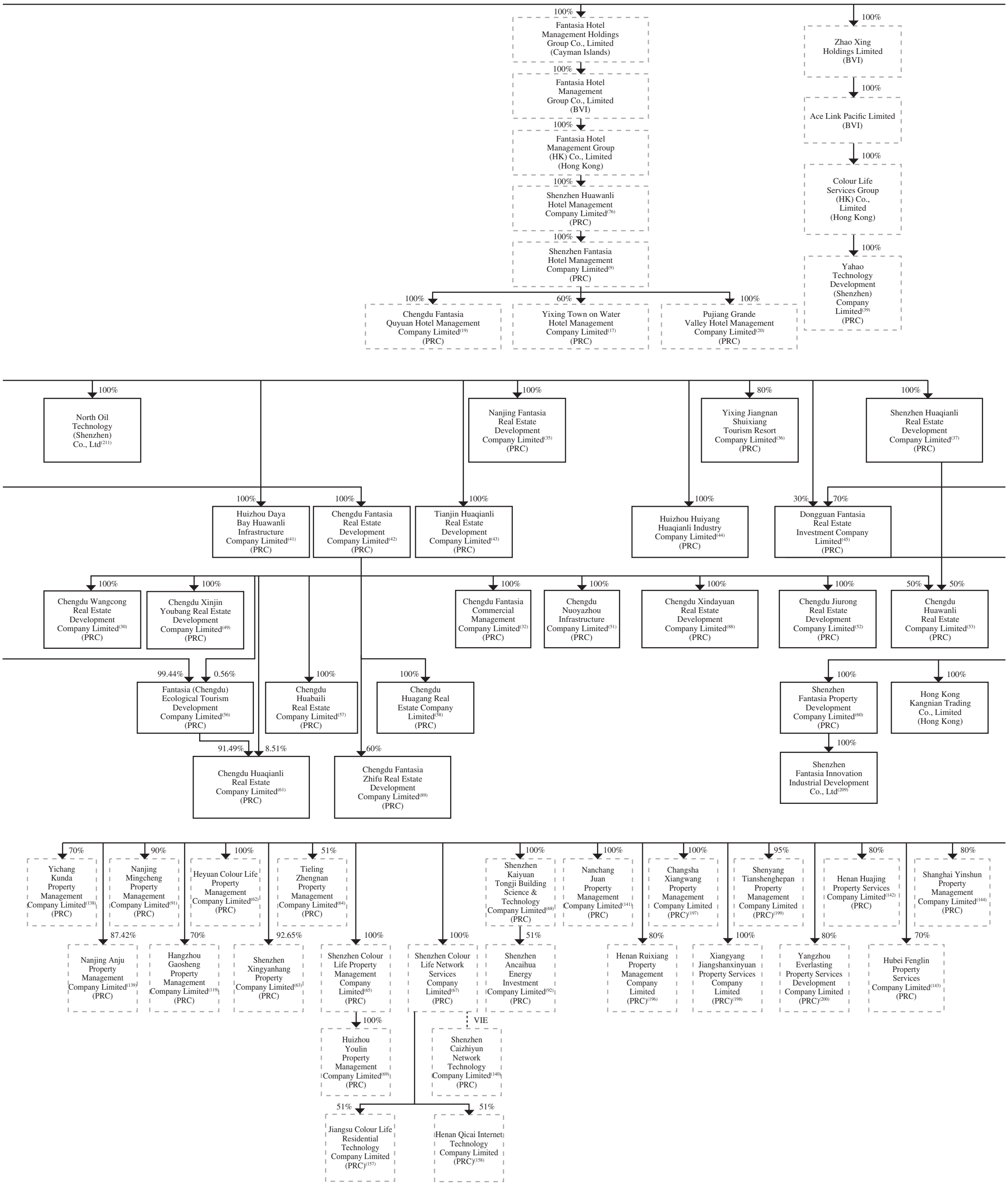
You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or period or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for income taxes and other non-operating cash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

CORPORATE STRUCTURE

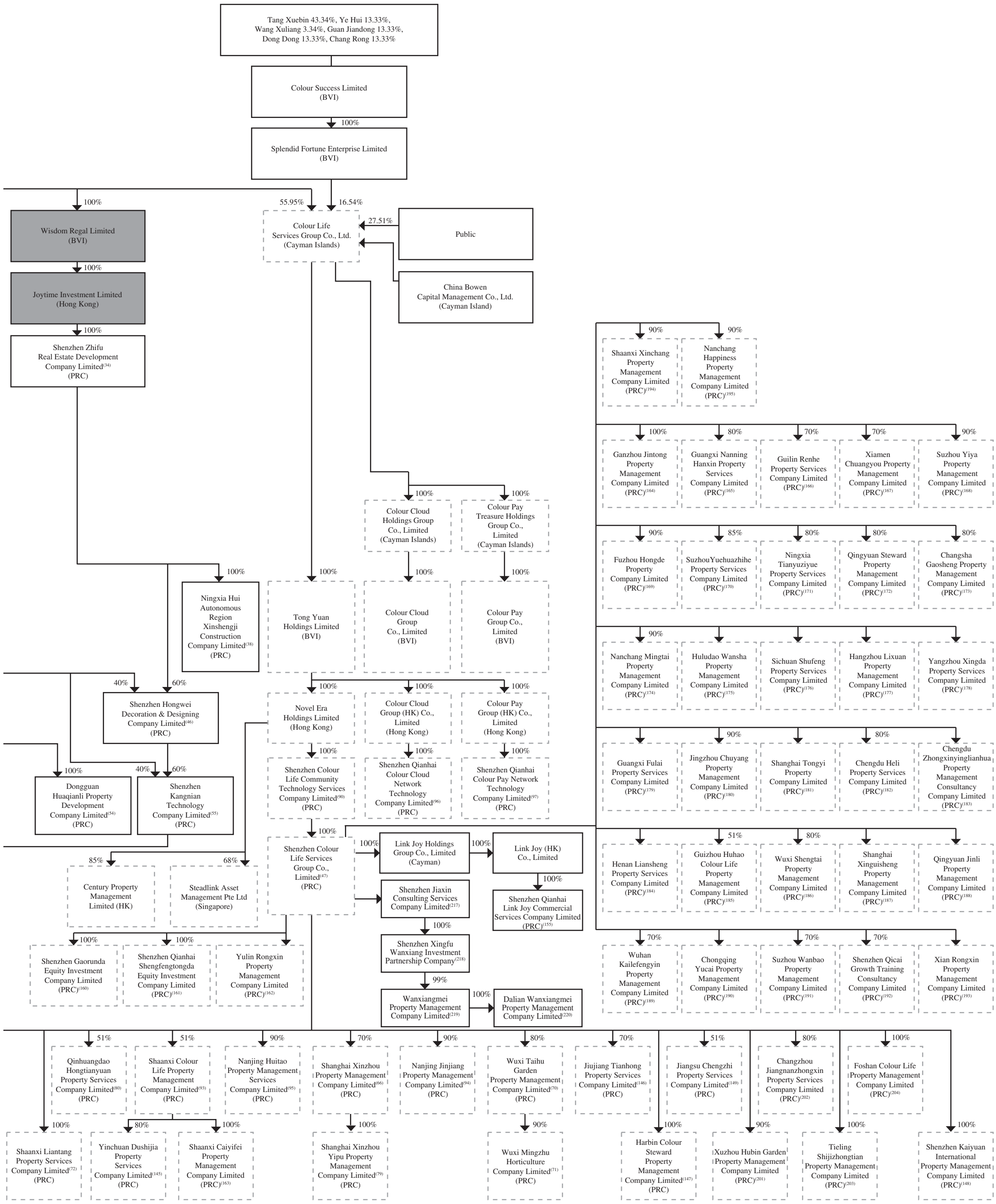
The following chart shows our corporate structure as of the date of this exchange offer memorandum:




Zeng Jie, Baby
Pan Jun
100%
Ice Apex Limited (BVI)
Graceful Star Overseas Limited (BVI)
80%
20%
Fantasy Pearl International Limited (BVI)
Public
57.51%
42.49%
Fantasia Holdings Group Co., Limited (Cayman Islands)
Treasure Isle Holdings Limited (BVI)
Fantastic Victory Limited (BVI)
Fantasia Financial Community Group Co., Ltd (Cayman)
Epoch Luck Holdings Limited (BVI)
Bloom Colour Limited (BVI)
Joint Gift Limited (BVI)
Fantasia Property Management (International) Company Limited (HK)
Prominent Sing Limited (BVI)
Fantasia Investment Holdings Company Limited (Hong Kong)
Hiat Investment Limited (HK)
ASIMCO Investments III Ltd. (Cayman Islands)
59.84%
Beijing Tianwei Fuel Injection Technology Company Limited
ASIMCO Tianwei Fuel System (Tianjin) Company Limited (PRC)(205)
Beijing Petroleum Electronic Control & Fuel Technology (Beijing) Company Limited (PRC)(78)
Fantasia (Taiwan) Development Co., Ltd.(3) (Taiwan)
Fantasia Group (China) Company Limited(4) (PRC)
Tokyo Fantasia Investment Co., Ltd. (Japan)
One Ever Global Limited (BVI)(iv)
Mass Success Global Limited (Hong Kong)(iv)
Mass Success Global UK Limited (United Kingdom)(iv)
Fantasia Investment Holdings (US) Corporation (Delaware)(iv)
Fantasia Hotel Management (US), LLC (Delaware)(iv)
Fantasia 373 Hotel (US), LLC (Delaware)(iv)
Morning Star Group Limited (HK)
Star Travel Service Limited (Hong Kong)
Morning Star Travel Service Limited (Hong Kong)
Morning Star (e-Commerce) Limited (Hong Kong)
1.58%
Morning Star Travel Service (Macau) Limited
Fantasia Investment (Singapore) Pte. Ltd. (Singapore)
Nanjing Fantasia Town Real Estate Development Company Limited(131) (PRC)
Tianjin Fantasia Real Estate Development Company Limited(87) (PRC)
An Chuang Group Limited (BVI)
Advance Era Holdings Limited (Hong Kong)
Shenzhen Huarong Business Co., Ltd.(221) (PRC)
Bliss Virtue Limited (BVI)
Immense Wealth Holdings Limited (Hong Kong)
Noble Faith Investment Limited (HK)
Smart Prospect Investment Limited (HK)
Shenzhen Qianhai Jianian Investment Fund Management Company Limited (PRC)(152)
Shenzhen Qianhai Huawanli Supply Chain Management Services Company Limited (PRC)(33)
Shanghai Junian Industrial Co., Ltd(208)
Beijing Fantasia Real Estate Development Company Limited(66) (PRC)
Shenzhen Fantasia Education Investment Company Limited(133) (PRC)
Shenzhen Fantasia Education Consultancy Company Limited(134) (PRC)
Suzhou LKN Real Estate Development Company Limited(10) (PRC)
61%
Shenzhen Feigaozhizhuo Infrastructure Company Limited(137) (PRC)
Shenzhen Baiyetengxing Technology Company Limited(2) (PRC)
Shenzhen Dayicheng Mobile Technology Company Limited(127) (PRC)
Shenzhen Fantasia Real Estate Group Company Limited(16) (PRC)
70%
Nanjing Zhongchu Real Estate Development Co., Ltd(207)
Anhui Baolifeng Investment Development Company Limited(224) (PRC)
Nanjing Huawanli Property Company Limited(222) (PRC)
Shenzhen Jianian Innovation Industrial Development Co., Ltd(206)
Suzhou Huawanli Property Development Company Limited(25) (PRC)
Dali Fantasia Property Development Company Limited(26) (PRC)
Huizhou Fantasia Property Development Limited(27) (PRC)
Tianjin Fantasia Investment Company Limited(28) (PRC)
75%
25%
Fantasia Infrastructure Development (Chengdu) Company Limited(29) (PRC)
Suzhou Yinzhuang Property Company Limited(84) (PRC)
Xiehe Golf (Shanghai) Company Limited(85) (PRC)
Tianjin Fuda Real Estate Sales Company Limited(31) (PRC)
Wuhan Huawanli Property Development Company Limited(214)
95%
Wuhan Xiangyun Jinrui Property Development Company Limited(215)
69%
Wuhan Huatong Real Estate Development Company Limited(216)
Ningbo Shijihuafeng Real Property Company Limited(153)
Guangzhou Fantasia Real Estate Company Limited(135) (PRC)
Guangzhou Huabaili Real Estate Company Limited(136) (PRC)
Chongqing Fantasia Property Development Company Limited(50) (PRC)
Shenzhen Guozheng Xiangqian Investment Development Company Limited(77) (PRC)
70%
Shenzhen Yushi Property Development Company Limited(98) (PRC)
Shenzhen Zhongji Yushi Property Development Company Limited(104) (PRC)
51%
Shenzhen Shengbaijing Investment Development Company Limited(99) (PRC)
Shenzhen Huayangxiang Investment Development Company Limited(100) (PRC)
Shanghai Fantasia Property Development Company Limited(110) (PRC)
81%
Shenzhen Yongli Hongying Investment Company Limited(111) (PRC)
Shenzhen Jindeying Investment Company Limited(105) (PRC)
Nanjing Xingrun Property Company Limited(225) (PRC)



100%
Fantasia Hotel Management Holdings Group Co., Limited (Cayman Islands)
100%
Fantasia Hotel Management Group Co., Limited (BVI)
100%
Fantasia Hotel Management Group (HK) Co., Limited (Hong Kong)
100%
Shenzhen Huawanli Hotel Management Company Limited[76] (PRC)
100%
Shenzhen Fantasia Hotel Management Company Limited[9] (PRC)
100%
Chengdu Fantasia Quyuan Hotel Management Company Limited[19] (PRC)
60%
Yixing Town on Water Hotel Management Company Limited[17] (PRC)
100%
Pujiang Grande Valley Hotel Management Company Limited[20] (PRC)
100%
Zhao Xing Holdings Limited (BVI)
100%
Ace Link Pacific Limited (BVI)
100%
Colour Life Services Group (HK) Co., Limited (Hong Kong)
100%
Yahao Technology Development (Shenzhen) Company Limited[39] (PRC)
100%
North Oil Technology (Shenzhen) Co., Ltd[211]
100%
Nanjing Fantasia Real Estate Development Company Limited[35] (PRC)
80%
Yixing Jiangnan Shuixiang Tourism Resort Company Limited[36] (PRC)
100%
Shenzhen Huaqianli Real Estate Development Company Limited[37] (PRC)
100%
Huizhou Daya Bay Huawanli Infrastructure Company Limited[41] (PRC)
100%
Chengdu Fantasia Real Estate Development Company Limited[42] (PRC)
100%
Tianjin Huaqianli Real Estate Development Company Limited[43] (PRC)
100%
Huizhou Huiyang Huaqianli Industry Company Limited[44] (PRC)
30%
70%
Dongguan Fantasia Real Estate Investment Company Limited[45] (PRC)
100%
Chengdu Wangcong Real Estate Development Company Limited[30] (PRC)
100%
Chengdu Xinjin Youbang Real Estate Development Company Limited[49] (PRC)
100%
Chengdu Fantasia Commercial Management Company Limited[32] (PRC)
100%
Chengdu Nuoyazhou Infrastructure Company Limited[51] (PRC)
100%
Chengdu Xindayuan Real Estate Development Company Limited[88] (PRC)
100%
Chengdu Jiurong Real Estate Development Company Limited[52] (PRC)
50%
50%
Chengdu Huawanli Real Estate Company Limited[53] (PRC)
99.44%
0.56%
Fantasia (Chengdu) Ecological Tourism Development Company Limited[56] (PRC)
100%
Chengdu Huabaili Real Estate Company Limited[57] (PRC)
100%
Chengdu Huagang Real Estate Company Limited[58] (PRC)
100%
Shenzhen Fantasia Property Development Company Limited[60] (PRC)
100%
Hong Kong Kangnian Trading Co., Limited (Hong Kong)
100%
Shenzhen Fantasia Innovation Industrial Development Co., Ltd[209]
91.49%
8.51%
Chengdu Huaqianli Real Estate Company Limited[61] (PRC)
60%
Chengdu Fantasia Zhifu Real Estate Development Company Limited[89] (PRC)
70%
Yichang Kunda Property Management Company Limited[138] (PRC)
90%
Nanjing Mingcheng Property Management Company Limited[91] (PRC)
100%
Heyuan Colour Life Property Management Company Limited[62] (PRC)
51%
Tieling Zhengnan Property Management Company Limited[64] (PRC)
100%
Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited[86] (PRC)
100%
Nanchang Juan Property Management Company Limited[141] (PRC)
100%
Changsha Xiangwang Property Management Company Limited (PRC)[197]
95%
Shenyang Tianshenghepan Property Management Company Limited (PRC)[199]
80%
Henan Huajing Property Services Company Limited[142] (PRC)
80%
Shanghai Yinshun Property Management Company Limited[144] (PRC)
87.42%
Nanjing Anju Property Management Company Limited[139] (PRC)
70%
Hangzhou Gaosheng Property Management Company Limited[119] (PRC)
92.65%
Shenzhen Xingyanhang Property Company Limited[63] (PRC)
100%
Shenzhen Colour Life Property Management Company Limited[65] (PRC)
100%
Shenzhen Colour Life Network Services Company Limited[67] (PRC)
51%
Shenzhen Ancaihua Energy Investment Company Limited[92] (PRC)
80%
Henan Ruixiang Property Management Company Limited (PRC)[196]
100%
Xiangyang Jiangshanxinyuan Property Services Company Limited (PRC)[198]
80%
Yangzhou Everlasting Property Services Development Company Limited (PRC)[200]
70%
Hubei Fenglin Property Services Company Limited[143] (PRC)
100%
Huizhou Youlin Property Management Company Limited[69] (PRC)
VIE
Shenzhen Caizhiyun Network Technology Company Limited[140] (PRC)
51%
Jiangsu Colour Life Residential Technology Company Limited (PRC)[157]
51%
Henan Qicai Internet Technology Company Limited (PRC)[158]



Notes:

(i) Fantasia (Novena) Pte. Ltd. was designated as an unrestricted subsidiary under our existing senior notes and will be designated as an Unrestricted Subsidiary in connection with our offering of the New Notes, meeting the definition of a subsidiary thereunder. However, it is treated as a joint venture under HKFRS.

(ii) previously known as Fantasia Financial Holdings Group Co., Ltd.

(iii) previously known as Fantasia Financial Holdings (Hong Kong) Co., Limited.

(iv) Each of these entities was designated as an unrestricted subsidiary under the January 2013 Notes but was not designated as an unrestricted subsidiary under our other existing senior notes and will not initially be designated as an Unrestricted Subsidiary under the New Notes. Instead, each of these entities is an Initial Other Non-Guarantor Subsidiary under our other existing senior notes and will initially be an Initial Other Non-Guarantor Subsidiary under the New Notes.

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

(1) 深圳市瑞禹科技有限公司
(2) 深圳市百業騰興科技有限公司
(3) 臺灣花樣年開發股份有限公司
(4) 花樣年集團(中國)有限公司
(5) 深圳市美易家商務服務集團股份有限公司
(6) 天津市花萬裡房地產開發有限公司
(7) 江蘇東發置業有限公司
(8) 深圳美朗商業管理有限公司
(9) 深圳市花樣年酒店管理有限公司
(10) 蘇州林甲岩房產發展有限公司
(11) 深圳市蓮塘物業管理有限公司
(12) 成都市花樣年物業服務有限公司
(13) 深圳市花樣年國際物業服務有限公司
(14) 深圳市高華投資有限公司
(15) 天津松江花樣年置業有限公司
(16) 深圳市花樣年地產集團有限公司
(17) 宜興市雲海間酒店管理有限公司
(18) 深圳市花樣年股權投資基金管理有限公司
(19) 成都花樣年趣園酒店管理有限公司
(20) 蒲江縣大溪穀酒店管理有限公司
(21) 桂林市花樣年房地產開發有限公司
(22) 桂林聚豪房地產開發有限公司
(23) 桂林萬豪房地產開發有限公司
(24) 桂林帝豪房地產開發有限公司
(25) 蘇州市花萬裡房地產開發有限公司
(26) 大理市花樣年房地產開發有限公司
(27) 惠州市花樣年房地產開發有限公司
(28) 天津市花樣年投資有限公司
(29) 花樣年實業發展(成都)有限公司
(30) 成都望叢房地產開發有限公司
(31) 天津福大房地產銷售有限公司
(32) 成都花樣年商業管理有限公司
(33) 深圳前海花萬裡供應鏈管理服務有限公司
(34) 深圳置富房地產開發有限公司
(35) 南京花樣年房地產開發有限公司
(36) 宜興市江南水鄉度假村有限公司
(37) 深圳市花千里房地產開發有限公司
(38) 寧夏回族自治區新聖基建築工程有限公司
(39) 雅浩科技發展(深圳)有限公司
(40) 深圳市福泰年投資管理有限公司
(41) 惠州大亞灣花萬裡實業有限公司
(42) 成都市花樣年房地產開發有限公司
(43) 天津市花千里房地產開發有限公司
(44) 惠州市惠陽區花千里實業有限公司
(45) 東莞市花樣年房地產投資有限公司
(46) 深圳宏威裝飾設計工程有限公司
(47) 深圳市彩生活服務集團有限公司
(48) 成都花樣年望叢文化發展有限公司
(49) 成都新津友幫房地產開發有限責任公司
(50) 重慶市花樣年房地產開發有限公司
(51) 成都市諾亞舟實業有限公司
(52) 成都九蓉房地產開發有限公司
(53) 成都花萬裡置業有限公司
(54) 東莞市花千里房地產開發有限公司
(55) 深圳市康年科技有限公司
(56) 花樣年(成都)生態旅遊開發有限公司
(57) 成都花百里置業有限公司
(58) 成都花港置業有限公司
(59) 北京天緯燃油噴射技術股份有限公司
(60) 深圳市花樣年房地產開發有限公司
(61) 成都花千里置業有限公司
(62) 河源市彩生活物業管理有限公司
(63) 深圳市星彥行置業有限公司
(64) 鐵嶺正南物業管理有限公司
(65) 深圳市彩生活物業管理有限公司
(66) 上海欣周物業管理有限公司
(67) 深圳市彩生活網絡服務有限公司
(68) 深圳市開元同濟樓宇科技有限公司
(69) 惠州市友鄰物業管理有限公司
(70) 無錫市太湖花園物業管理有限責任公司
(71) 無錫市明珠園藝有限責任公司
(72) 陝西蓮塘物業服務有限公司
(73) 成都市福鄰養老服務有限公司
(74) 深圳市花樣年文化旅遊管理有限公司

(75) 深圳市花樣年養生養老管理有限公司
(76) 深圳市花萬裡酒店管理有限公司
(77) 深圳市國正向前投資發展有限公司
(78) 北油電控燃油技術(北京)有限公司
(79) 上海欣周逸浦物業管理有限公司
(80) 秦皇島市宏添源物業服務有限公司
(81) 深圳市前海花樣年金融服務有限公司
(82) 深圳市騰興宏達投資發展有限公司
(83) 深圳市越華創新科技工業城有限公司
(84) 蘇州銀莊置地有限公司
(85) 協和高爾夫(上海)有限公司
(86) 北京花樣年房地產開發有限公司
(87) 天津市花樣年房地產開發有限公司
(88) 成都新達遠房地產開發有限公司
(89) 成都花樣年置富房地產開發有限公司
(90) 深圳市彩生活社區科技服務有限公司
(91) 南京名城物業管理有限公司
(92) 深圳市安彩華能源投資有限公司
(93) 陝西彩生活物業管理有限公司
(94) 南京錦江物業管理有限公司
(95) 南京市慧韜物業管理服務有限公司
(96) 深圳市前海彩之雲網絡科技有限公司
(97) 深圳市前海彩付寶網絡技術有限公司
(98) 深圳市玉石房地產開發有限公司
(99) 深圳市生百景投資發展有限公司
(100) 深圳市花樣祥投資發展有限公司
(101) 深圳安博電子有限公司
(102) 深圳市花樣年文旅股權投資基金管理有限公司
(103) 深圳市七二唐俱樂部管理有限公司
(104) 深圳市中稷玉石房地產開發有限公司
(105) 深圳市金地盈投資有限公司
(106) 句容多彩農業生態園發展有限公司
(107) 成都合盈融資租賃有限公司
(108) 深圳市合和年投資諮詢有限公司
(109) 桂林市合和年小額貸款有限責任公司
(110) 上海花樣年房地產開發有限公司
(111) 深圳市永利鴻盈投資有限公司
(112) 惠州TCL房地產開發有限公司
(113) 廣東(惠州)TCL工業文化創意園發展有限公司
(114) 惠州市TCL鴻融置業有限公司
(115) 武漢TCL置地投資有限公司
(116) 武漢花樣年投資有限公司
(117) 惠州市鴻邁園林綠化有限公司
(118) 武漢TCL康城房地產有限公司
(119) 杭州高盛物業管理有限公司
(120) 深圳市花樣年旅遊景區管理有限公司
(121) 深圳市花樣年餐飲策劃管理有限公司
(122) 成都市福泰年企業管理有限公司
(123) 深圳市花樣年工程建設諮詢有限公司
(124) 深圳市藝之年文化藝術發展有限公司
(125) 深圳市前海合盈融資租賃有限公司
(126) 上海錦年酒店管理有限公司
(127) 深圳市搭一程移動科技有限公司
(128) 深圳市牛田機電設備工程有限公司
(129) 深圳市名鐫裝飾設計工程有限公司
(130) 深圳市花樣年喜年一號投資中心(有限合夥)
(131) 南京花樣城房地產開發有限公司
(132) 深圳市合保盈商業保理有限公司
(133) 深圳市花樣年教育投資有限公司
(134) 深圳市花樣年教育諮詢有限公司
(135) 廣州市花樣年房地產有限公司
(136) 廣州市花百里置業有限公司
(137) 深圳市飛高至卓實業有限公司
(138) 宜昌坤達物業有限公司
(139) 南京安居物業有限公司
(140) 深圳市彩之雲網絡科技有限公司
(141) 南昌居安物業管理有限公司
(142) 河南華璟物業服務有限公司
(143) 湖北楓林物業服務有限公司
(144) 上海銀順物業管理有限公司
(145) 銀川都市佳物業服務有限公司
(146) 九江天宏物業服務有限公司
(147) 哈爾濱彩管家物業管理有限公司
(148) 深圳市開元國際物業管理有限公司
(149) 江蘇城置物業服務有限公司
(150) 成都武侯福鄰中醫診所有限公司

(151) 深圳市中安信保險經紀有限公司
(152) 深圳前海嘉年投資基金管理有限公司
(153) 寧波世紀華豐房產有限公司
(154) 江西省君安物業管理有限公司
(155) 深圳前海鄰裡樂商業服務有限公司
(156) 深圳市花萬年商業管理有限公司
(157) 江蘇彩生活住宅科技有限公司
(158) 河南啟彩網絡科技有限公司
(159) 深圳前海嘉年雲領投資基金管理有限公司
(160) 深圳市高潤達股權投資有限公司
(161) 深圳市前海盛峰通達股權投資有限公司
(162) 榆林市榮鑫物業管理有限公司
(163) 陝西彩逸飛物業管理有限公司
(164) 贛州錦通物業管理有限公司
(165) 廣西南寧瀚新物業服務有限公司
(166) 桂林市仁和物業服務有限責任公司
(167) 廈門市創優物業管理有限公司
(168) 蘇州易亞物業管理有限公司
(169) 撫州鴻德物業有限公司
(170) 蘇州悅華置合物業服務有限公司
(171) 寧夏天雨子越物業服務有限公司
(172) 清遠市大管家物業管理有限公司
(173) 長沙高盛物業管理有限公司
(174) 南昌名泰物業管理有限公司
(175) 葫蘆島市萬廈物業管理有限公司
(176) 四川蜀峰物業服務有限公司
(177) 杭州利軒物業管理有限公司
(178) 揚州市興達物業服務有限公司
(179) 廣西福來物業服務有限責任公司
(180) 荊州市楚陽物業管理有限公司
(181) 上海通翼物業有限公司
(182) 成都合力物業服務有限公司
(183) 成都忠信英聯華物業管理顧問有限公司
(184) 河南聯盛物業服務有限公司
(185) 貴州互豪彩生活物業管理有限公司
(186) 無錫市盛泰物業管理有限公司
(187) 上海新貴盛物業管理有限公司
(188) 清遠金力物業管理有限公司
(189) 武漢凱樂豐垠物業管理有限公司
(190) 重慶渝彩物業管理有限公司
(191) 蘇州萬寶物業管理有限公司
(192) 深圳市七彩成長培訓諮詢有限公司
(193) 西安榮鑫物業管理有限公司
(194) 陝西鑫昌物業管理有限公司
(195) 南昌幸福物業管理有限公司
(196) 河南瑞祥物業管理有限公司
(197) 長沙祥旺物業管理有限公司
(198) 襄陽江山新苑物業服務有限責任公司
(199) 瀋陽天盛河畔物業管理有限公司
(200) 揚州市恒久物業服務發展有限公司
(201) 徐州市濱湖花園物業管理有限公司
(202) 常州江南中鑫物業服務有限公司
(203) 鐵嶺世紀中天物業管理有限公司
(204) 佛山彩生活物業管理有限公司
(205) 亞新科天緯燃油系統(天津)有限公司
(206) 深圳市嘉年創新實業發展有限公司
(207) 南京中儲房地產開發有限公司
(208) 上海聚年實業有限公司
(209) 深圳市花樣年創新實業發展有限公司
(210) 深圳市前海合和年信息諮詢有限公司
(211) 北油科技(深圳)有限公司
(212) 深圳前海嘉年鴻迪投資諮詢有限公司
(213) 慈溪嘉年鴻迪房地產開發有限公司
(214) 武漢市花萬裡房地產開發有限公司
(215) 武漢市祥雲錦瑞房地產開發有限公司
(216) 武漢華通置業發展有限公司
(217) 深圳市嘉信諮詢服務有限公司
(218) 深圳市幸福萬象投資合夥企業
(219) 萬象美物業管理有限公司
(220) 大連萬象美物業管理有限公司
(221) 深圳花融商務有限公司
(222) 南京花萬裡置業有限公司
(223) 南京興潤置業有限公司
(224) 安徽寶利豐投資發展有限公司

Overview

We are a leading property developer and property related service provider in China. For ten consecutive years from 2009 to 2018, we have members of our Group ranked among the China Top 100 Real Estate Developers (中國房地產百強企業) and the China Top 100 Property Management Companies (中國物業服務百強企業) by the China Real Estate Top 10 Research Team (中國房地產Top 10研究組). We are also recognized as "Outstanding Company with Light Asset Operation in 2018", "China's Top 100 Real Estate Companies in 2018 – Top 10 in Financing Capability" and "China's Top 100 Real Estate Companies in 2018 – Top 10 in Stability" by Development Research Center of the State Council, Institute of Real Estate Studies at Tsinghua University and China Index Academy. We were also ranked among the China Real Estate Top 100 Listed Companies (中國房地產上市公司百強) in 2011 and the Top 50 China Real Estate Listed Companies in terms of Comprehensive Strength (中國房地產上市公司綜合實力五十強) in 2012 and 2014 by the China Real Estate Research Institute, China Real Estate Association and China Real Estate Assessment Center. In 2014, we were granted the title of the "Innovative Enterprise in China Real Estate Community Service Model" (中國房地產社區服務模式創新企業) in the first Annual Meeting of Community Responsibility in China Real Estate (中國房地產社區責任年會) cum the sixth Annual Meeting of the New Trends in China Property (中國地產新趨勢年會), jointly held by institutions including China Foundation for Poverty Alleviation (中國扶貧基金會) and China Real Estate Chamber of Commerce (全聯房地產商會) and were selected as the "Enterprise with Highest Brand Value in Shenzhen Real Estate" (深圳房地產最具品牌價值企業) by Shenzhen Real Estate Association (深圳市房地產業協會). In April 2015, Shenzhen Fantasia Business Management Company Limited was awarded the honour of the "Best Chinese Commercial Real Estate Operator" (中國商業地產最佳營運商) in the Adjudication and Selection of Golden Coordinate on "the Tenth Chinese Commercial Real Estate Festival" (第十屆中國商業地產節), and the "China Community Commercial Operation Innovation Prize" (中國社區商業運營創新獎) on the Twelfth Chinese Commercial Real Estate Industry Development Forum held in Shanghai. In May 2015, Shenzhen Fantasia International Property Services Co., Ltd., Chengdu Branch (深圳市花樣年國際物業服務有限公司成都分公司) was awarded the honour of the "Model Enterprises for Urban Water Conservation in Chengdu 2014" (成都市2014年度城市節水工作先進單位). In June 2015, Colour Life Services Group Co., Limited under Fantasia Group was awarded the honour of the "Top 10 in Top 100 Comprehensive Property Services Enterprises 2015" (2015物業服務百強綜合TOP10), the "Leading Enterprises of Satisfaction in Top 100 Property Services Companies 2015" (2015中國物業服務百強滿意度領先企業), the "Top Enterprise with the Largest Area of Residential Properties under Management in the World at the end of 2014" (2014年底物業居住管理面積全球最大), and the "Top 10 Growth Enterprises in Top 100 Property Services Companies 2015" (2015物業服務百強企業成長性TOP10) by China Real Estate Top 10 Research Team. In Addition, Colour Life Services Group ranked the top of "Top 10 Growth Enterprises in Top 100 Property Services Companies 2015" with its prevailing edges. In July 2015, Fantasia Holdings Group Co., Limited was awarded the honour of the "Award of Contribution to Community Service Industry 2015" (2015年度社區服務行業貢獻大獎) at the 15th Annual Conference of BOAO 21st Century Real Estate Forum. Home E&E Group under Fantasia Group was awarded the honour of the "Award of Innovation in Commercial Community Operation 2015" at the 15th Annual Conference of BOAO 21st Century Real Estate Forum in July 2015, and the "Award of Innovation in Resort Properties Operation 2015" in the Adjudication and Selection of China Real Estate Fashion Award in August 2015. In December 2015, Fantasia Group was awarded the honour of the "Award of Innovation in Community Services" (社區服務創新獎), an innovation award of China Real Estate Value Report in the CBN China Real Estate Annual Summit 2015. In June 2016, in the 2016 China Top 100 Property Service Companies Report (2016中國物業服務百強報告) jointly published by China Property Management Association (中國物業管理協會) and China Index Academy (中國指數研究院), Colour Life, was ranked sixth in the "2016 China Top 10 Property Service Companies in

Overall Strength" (2016中國物業服務百強企業綜合實力Top 10). Moreover, based on its good operating conditions and sound financial position, the Company was also awarded the titles of "Outstanding Company with Light Asset Operating in 2017" (2017輕資產運營優秀企業), "China's Top 100 Real Estate Companies in 2017 – Top 10 in Financing Capability (2017中國房地產百強企業 – 融資能力Top 10), "China's Top 100 Real Estate Companies in 2017 – Top 10 in Stability" (2017中國房地產百強企業 – 穩健性Top 10). In January 2018, Caifubao was awarded the title of "2017 Social Responsibility Award as a Fintech Enterprise" at the Seventh China Charity Festival. In April 2018, Shenzhen Kaiyuan International Property Management Co., Ltd. was awarded the certificate of "AAA- Class Bidding Credit Enterprise" granted by Shenzhen Radius of the Letter Evaluation Company Limited. In May 2018, Dalian Wanxiangmei Property Management Co., Ltd. was awarded "AAA- Class Enterprise Credit Rating Certificate" by China Association for Small & Medium Commercial Enterprises (CASME) and Credit Working Committee of CASME. In June 2018, Colour Life was honoured as the "2009–2018 (10 Consecutive Years) Top 100 Property Management Companies of China" by China Index Academy. We first commenced our property development business in Shenzhen in 1996. Leveraging our broad experience and capabilities, we have successfully expanded into, and currently focus our real estate activities in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region, four of the fastest-growing economic regions in China and the Central China Economic Area.

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

- *Urban Complexes*

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

- *Boutique Upscale Residences*

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

As of June 30, 2018, our portfolio of land bank consisted of approximately 86.6% of boutique upscale residences, 5.6% of urban complexes and 7.7% of mid-to-high end residences in terms of GFA. We plan to continue to focus our property development activities on developing a portfolio of products that caters to our target customers across some of China's most economically prosperous regions. We plan to achieve this objective by continuing to selectively acquire low-cost land in the regions. We conduct comprehensive and in-depth market research and analysis on the land that we intend to acquire and the surrounding areas. We consider the geographic as well as marketing factors when evaluating a target parcel, including development potentials, size and suitability of the land for developments that can fit into our existing portfolio, convenience and availability of infrastructure support, purchasing power of our potential customers in relevant areas, development costs and the estimated return on investment. We budget for the cost of land acquisition as well as the overall development costs, which are subject to strict internal procedures and are closely monitored and adjusted throughout the construction process. Acquisition proposal is reviewed and approved by the relevant personnel of our Group, including our chief executive officer and our board of directors. We usually acquire land using our own capital within a pre-set budget and arrange project loans with banks in China at a later stage to support the subsequent development of the property.

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

We have received numerous accolades for our property development and services capabilities. For example, our subsidiary, Fantasia (Chengdu) Development Co., Ltd. was awarded one of the real estate industry's highest honorary award "Golden Tripod" – 2009 outstanding development Business Awards ("金鼎獎" – 2009年度優秀開發企業獎) jointly issued by Chengdu Municipal Government (成都市政府) and the Chengdu Real Estate Bureau (成都房地產管理局) in 2010. Another subsidiary, Shenzhen Color Life Services Group Company Limited, was awarded "Top 10 Growth Enterprises in Top 100 Property Services Companies in China" (年度中國物業服務百強企業成長性TOP 10) since 2012, "China Top 100 Property Services Companies" (中國物業服務百強企業) for six consecutive years since 2009 by China Real Estate Top 10 Research Team (中國房地產TOP 10研究組) "Leading Enterprise of Satisfaction in Top 100 Property Services Companies in China" (中國物業服務百強滿意度領先企業), "Top Property Management in Gross Area of Residential Properties" (物業管理居住物業面積總面積全國第一) and "Leading Enterprise of Brand in Property Services in China" (中國物業服務領先品牌企業) in 2014. Shenzhen Color Life Services Group Company Limited was also awarded "2012 China Property Services Enterprise of Brand Excellence" (2012中國物業服務優秀品牌企業) in August 2012 and "The Largest Community Service Operator" (中國最大社區服務運營商) in July 2013, both of which were granted by China Index Research Institute. We were also awarded "2012 China Best Commercial Real Estate Brand" (2012中國最佳商業地產品牌) by Organizing Committee of Boao Real Estate Forum (博鰲房地產論壇委員會) in August 2012, was listed on both "List of Top 100 Outstanding Real Estate Enterprises in China" in 2012 and 2013 (2012和2013年度中國房地產卓越100榜) and "List of China's Outstanding Real Estate Management and Real Estate Teams in China" in 2012 and 2013 (2012和2013年度中國房地產管理與團隊卓越榜) by guandian.cn (觀點地產新媒體), and was awarded the "Listed Company with the Best Investment Value 2013" (2013年度最具投資價值上市公司大獎) by Boao • 21st Century Real Estate Forum (博鼇 • 21世紀房地產論壇) in July 2013. Our property development projects have also won numerous awards and recognitions for their design and quality. For example, our project Guilin Fantasia Town (桂林花樣

城) was awarded "Real Estate with the Most Potential in Value in 2011" (2011年最具價值潛力樓盤) by the Fourth Session of Guilin Spring Brand Real Estate Fair (桂林第四屆春季品牌房地產交易會) in 2011. Nanjing Yuhuatai Project (南京花生唐) was awarded "The Best Commercial Real Estate in Nanjing, China for 2012" (2012中國(南京)最佳商業地產) by Yangtse Evening News (《揚子晚報》) in January 2013 and "Real Estate with the Most Investment Potential for 2013" (2013年最具投資價值樓盤) by House.QQ.com (騰迅房產) in January 2013. Both of our projects Chengdu Future Plaza (成都香年廣場) and Chengdu Longnian International Centre (成都龍年國際中心) were awarded "Masterpiece of Commercial Real Estate in Chengdu Real Estate Market" (2012成都樓市商業地產傑作) by Real Estate Market Overall List in Chengdu, China 2012 (2012中國(成都)樓市總評榜) in March 2013. Fantasia Funian Plaza (花樣年•福年廣場) passed the Excellence Assessment and was selected as the outstanding project of property management in Shenzhen Futian District and Fantasia Future Plaza (花樣年•香年廣場) passed the expert assessment of the Model Property Management of Chengdu City, and was selected as the excellent project of property management in Chengdu Gaoxin District in 2014. Rhombus Fantasia Chengdu Hotel (花樣年•隆堡成都酒店) was awarded the "Best Business and Resort Hotel 2013–2014" (2013–2014年度最佳商務度假酒店) jointly by China City Travel and International Channel Shanghai. Chengdu Meinian Plaza (Phase 1.1 and Phase 1.3) (成都美年廣場1.1和1.3期) was awarded the first prize of "the Sixteenth Evaluation of Shenzhen's Outstanding Engineering Exploration and Design (Residential Buildings)" (深圳市第十六屆優秀工程勘察設計評審(住宅建築)一等獎) in 2014. In March 2015, on the Fifteenth Annual Meeting for China Real Estate Development 2015 organized by the Ministry of Housing and Urban Policy Research Center (住房和城鄉建設部政策研究中心) and co-hosted by China Real Estate Dynamic Policy Design Research Group, Fantasia Lakeside Eden Community stood out on the Meeting and was awarded the honour of the "China Exemplary Residential Property Project 2015" (2015年中國宜居示範樓盤). In April 2015, Arcadia Resort Hotel in Yixing stood out in the Adjudication and Selection of "the Tenth China Hotel Starlight Awards" and was awarded the honour of the "10 Best Travelling and Resort Hotel in China" (中國十佳旅遊度假酒店). In April 2015, the Annual Meeting for Asia Hotel Forum 2015 cum the Award Ceremony of China Hotel Starlight Awards was held in Shanghai, Guilin Lingui Fantasia Four Points by Sheraton stood out among the numerous participating hotels and was awarded the honour of the "China's Top 10 New Hotels" (中國十佳新開業酒店). In June 2015, Tianjin Future Plaza project was awarded the government subsidies for RMB100 million building project and the honour of the "Outstanding Property Management in Tianjin" (天津市物業管理優秀項目). In September 2015, our Chengdu Funian project participated in the Adjudication and Selection of the outstanding building project in Chengdu and successfully attained the title of the outstanding building project in Chengdu. Our Longqi Bay project in Shenzhen was awarded the Best Villas of the Year at the 8th China Real Estate Annual Conference in 2016. In February 2016, a hotel management company under Fantasia's cultural tourism group was awarded the honour of "the Golden Lion award of the Best Hotel Management Company in China" (中國最佳酒店管理公司金獅獎) issued by Golden Leaders' Federation of International Hotels. In May 2017, Fantasia Cultural Tourism Management Group's U Hotel Shenzhen was awarded the title of "The Best Boutique Hotel" in Langya Rating in 2017 (2017年度琅琊榜「最佳精品飯店」) by Shenzhen Hotel Association. In June, Shenzhen Fantasia Hotel Management Co., Ltd was awarded the "Golden Pearl Award" for GHM hotels in 2017 (2017粵港澳酒店GHM「金珠獎」) by the GHM Hotel General Manager Association. In June 2018, Colour Life Group were honored as "2018 China Specialized Property Service Company – Intelligent Community", the "2018 China Leading Property Management Companies in terms of Customer Satisfaction", the "2018 China Top 10 Property Management Companies in terms of Growth Potential" and the "2018 China Top 10 Property Management Companies in terms of Business Size" by China Index Academy. Colour Life was honored as the "2009–2018 (10 Consecutive Years) Top 100 Property Management Companies of China" by China Index Academy.

As of June 30, 2018, we had a total of 52 projects at various stages of development (including completed projects, projects under development and projects held for future development), including 15 projects located in the Chengdu-Chongqing Economic Zone, nine projects located in the Pearl

River Delta region, nine projects located in the Yangtze River Delta region, nine projects located in the Beijing- Tianjin metropolitan region, nine projects located in Central China and one project located overseas in Singapore.

As of June 30, 2018, we had a total land bank of approximately 17.8 million square meters, which consists of:

- an aggregate planned GFA of approximately 11.6 million square meters of properties for which we had fully paid the land premium and obtained land use rights (consisting of an aggregate planned GFA of approximately 5.0 million square meters of properties under development and an aggregate planned GFA of approximately 6.6 million square meters of properties held for future development for which we have obtained land use rights); and

- an aggregate planned GFA of approximately 6.2 million square meters of properties for which we had entered into preliminary framework agreements but had not obtained the land use rights or property rights.

Of our total land bank as of June 30, 2018, approximately 7.3 million square meters, or 41.3%, were located in the Chengdu-Chongqing Economic Zone; approximately 5.1 million square meters, or 29.0%, were located in the Pearl River Delta region; approximately 1.6 million square meters, or 8.8%, were located in the Yangtze River Delta region; approximately 1.4 million square meters, or 8.0%, were located in the Beijing-Tianjin metropolitan region and approximately 2.3 million square meters, or 12.9%, were located in Central China. We develop most of our properties, including properties that are currently under development, for sale but will hold certain of these developed properties for investment and hotel management purposes.

For the years ended December 31, 2015, 2016 and 2017 and the six months period ended June 30, 2017 and 2018, our revenue was RMB8,164.3 million, RMB10,920.6 million, RMB9,782.6 million (US$1,478.4 million), RMB3,637.3 million and RMB5,195.5 million (US$785.2 million), respectively. Our revenue consisted of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services, and (v) the provision of hotel management and related services. The following table sets forth our revenue for each of the components described above and the percentage of total revenue represented for the periods indicated with the fluctuations of the percentage due primarily to the different product mix delivered to customers in respective period:

	For the year ended December 31,							For the six months period ended June 30,				
	2015		2016		2017			2017		2018		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$) (unaudited)	(%)	(RMB) (unaudited)	(%)	(RMB) (unaudited)	(US$) (unaudited)	(%)
	(in thousands, except percentages)											
Property development	6,562,066	80.4	8,365,954	76.6	6,598,470	997,185	67.5	2,068,777	56.9	2,563,280	387,372	48.8
Property investment .	182,886	2.2	241,778	2.2	243,187	36,751	2.5	116,945	3.2	125,761	19,005	2.4
Property agency services	24,476	0.3	26,770	0.3	57,967	8,760	0.6	27,122	0.7	28,801	4,353	0.5
Property operation services	1,270,014	15.6	1,652,123	15.1	2,015,378	304,571	20.6	978,459	26.9	1,998,773	302,062	38.0
Hotel services . . .	121,620	1.5	113,867	1.0	134,033	20,256	1.3	63,801	1.8	67,370	10,181	1.3
Others	3,235	0.0	520,146	4.8	733,533	110,854	7.5	382,155	10.5	411,526	62,191	7.8
Total	8,164,297	100.0	10,920,638	100.0	9,782,568	1,478,377	100.0	3,637,259	100.0	5,195,511	785,164	100.0

Our Competitive Strengths

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

We focus our business activities across some of the most economically prosperous and vibrant regions in China, namely, the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China. Each of the regions has experienced relatively strong growth over the past few years. As of June 30, 2018, our planned GFA under development and held for future development in each of the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing-Tianjin metropolitan region and Central China was approximately 7.3 million square meters, 5.1 million square meters, 1.6 million square meters, 1.4 million square meters and 2.3 million square meters, respectively. We have already established a strong market position in certain of our targeted regions, such as in the Chengdu- Chongqing Economic Zone and the Pearl River Delta region, and several of our developments in those regions received various awards. We believe that a significant portion of our target customers operate and reside in these regions, and our location and presence in these regions have enabled us to capture the growing demand of our target customers.

Ability to acquire land at low cost

In 2017, our average unit land cost based on GFA was approximately 20.6% of our average unit selling price. We focus on developing urban complexes in the peripheral areas of existing central business districts or emerging new business districts and boutique upscale residences in the urban and suburban areas. As a result, we have a wide range of choices when selecting land sites for our property developments than other property developers who focus on developing properties in existing central business districts or well-established residential areas in major cities. We believe our wide range of choices of land sites allows us to avoid intense competition in the land acquisition process and thereby reduces our average land acquisition costs. In addition, we believe our ability to acquire land at low cost is also attributable to our flexible property development capabilities that have enabled us to develop a wide variety of land and properties. We believe our operating flexibility as to the size and location of the land that we can develop enables us to take the opportunity presented to us to acquire land at low cost. We conduct research and analysis and try to identify the future growth potential of a land site for our property development before our competitors start doing the same so as to avoid price competition. Such approach to land selection and evaluation has also contributed to our ability to acquire land at relatively low cost. We believe our ability to acquire high quality land at a relatively low cost allows us to use our working capital more efficiently, maintain a healthy profit margin and respond more effectively to changing market conditions.

Strong business model with track record of success

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

Well-known brand name

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

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

Strong value-accretion property development and service capabilities

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

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

The significant growth of our business since our inception is in large part due to our experienced and stable management team. Mr. Pan, our chairman and chief executive officer, and Ms. Zeng, our executive director, each has over 20 years of experience in real estate development in China, and, along with other members of our senior management team and employees, have established strong relationships with key industry participants. We have been able to capitalize on the collective expertise of our management and other professional employees so that we can develop and sell properties that appeal to our targeted customers at various locations. We believe that we have benefited, and will continue to benefit, from our management's extensive experience and knowledge of the PRC property market.

Business Strategies

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

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

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

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

We intend to focus on realizing increased synergies among our businesses, a crucial part to our Group's overall success. We intend to continue concentrating on developing urban complexes and boutique upscale residences. We believe our focus on these two types of property development projects allows us to better and more efficiently use our resources to address our target customers' needs and develop long-term business relationships. Our development focus also serves to increase the synergies that can be achieved among each aspect of our businesses. We plan to continue to expand our investment property portfolio by including boutique hotels in the properties that we develop, thereby increasing our recurring income as well as increasing the real estate solutions that we provide to customers. We have also established subsidiaries dedicated to providing hotel services, which we believe also helps to enhance the capabilities of our property operation services provided to more traditional properties, as well as to our urban complexes. We plan to continue to enhance cooperation among our businesses. For example, leveraging on our experience and expertise from our property development business, we have expanded into and plan to continue to expand hotel services and property community services and other value-added property businesses including community finance, business management, cultural tourism, retirement life services and education. In June 2014, Colour Life, one of our subsidiaries dedicated to provide our community services, listed on the Hong Kong Stock Exchange through an initial public offering, which we believe enhanced our capital utilization efficiency and ability to capitalize on our brand. We continue to evaluate our business model and strive to optimize our business portfolio, and may further restructure certain businesses that are related, ancillary or complementary to our property development business including, among others, our commercial property management, hotel management, financial leasing, community P2P financial business, retirement life services and educational consultancy businesses through an initial public offering of the shares of a subsidiary engaged in such businesses, depending on market conditions. As of the date of this exchange offer memorandum, there is no definite timetable or execution plan with respect to such restructuring, and such restructuring may or may not materialize. We expect that our efforts should allow us to increase the breadth and stability of our revenue streams, reduce our overall exposure to volatility within and reliance on one sector of the real estate property industry and create cross-selling opportunities.

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

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

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

Continue to promote our brand names

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

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

Recent Developments

Issuance of the July 2018 Notes

On July 16, 2018, the Company issued guaranteed 12.0% senior notes in an aggregate amount of US$140,000,000. The July 2018 Notes will be fully repayable by July 15, 2019.

Resignation of Chief Financial Officer and Re-Designation of Director

On July 20, 2018, Mr. Lam has resigned as the Chief Financial Officer of the Company. On the same date, Mr. Lam was re-designated from an executive director to a non-executive director of the Company.

Resignation of Company Secretary and Appointment of Joint Company Secretaries

On October 31, Mr. Lam has resigned as the Company Secretary. Mr. Liu and Ms. Luo were appointed as joint company secretaries with effect from 1 November 2018.

Purchase of the February 2018 Notes

We purchased part of the February 2018 Notes on November 16, 2018 from the open market.

Approval by the China Securities Regulatory Commission for the Issue of Corporate Bonds

Fantasia China, a wholly-owned subsidiary of us established in the PRC, has received the approval letter from CSRC on November 15, 2018 to undertake public offerings of corporate bonds with the face value of up RMB2,900,000,000 to qualified investors. The corporate bonds will be issued in tranches. The issuance of the first tranche shall be completed within 12 months from the date of the approval and the issue of other tranches shall be completed within 24 months from the date of the approval. The approval is valid for 24 months commencing from the date of issue of the approval.

Our Property Development Projects

Overview

As of June 30, 2018, we had 52 property development projects at various stages of development. Based on the stage of development, we divide our property development projects into three categories:

- completed projects, comprising properties for which we have received the requisite completion inspection report from the relevant government construction authority;

- projects under development, comprising properties for which we have obtained the requisite construction works commencement permits but are yet to receive the requisite completion inspection report; and

- projects held for future development, comprising properties for which we have obtained the relevant land use rights certificates and started preliminary design work but have not yet received the required construction works commencement permits, as well as properties for which we have not obtained the land use rights certificates but have entered into contractual agreements to obtain the relevant land use rights certificates and started preliminary design work.

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

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

- for projects or phases for which we have obtained land use rights, based on the relevant land use rights certificates, and

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

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

- for projects or phases that are completed, based upon relevant property surveying reports;

- for projects or phases that are not completed but for which pre-sale has commenced, based upon relevant inspection reports required for pre-sale;

- for projects or phases that are under development and for which we have not obtained relevant inspection reports but have obtained the relevant construction works planning permits, based on such construction works planning permits; and

- for projects or phases for which we have not received the relevant construction works planning permits, based on the total GFA indicated in property master plans approved by relevant government authorities or based on our internal records and development plans, which may be subject to change.

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

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

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

- for projects or phases that are completed, based on the saleable GFA as determined upon relevant property surveying reports;

- for projects or phases that have not received the completion inspection report upon completion but have obtained the relevant inspection reports required for pre-sale, based on the saleable GFA in such relevant inspection reports;

- for projects or phases that have not received the relevant inspection reports required for pre- sale but have received relevant construction works planning permits, based on the construction works planning permits; and

- for projects or phases that have not received relevant construction works planning permits, based on the total GFA indicated in property master plans approved by relevant government authorities or based on our internal records and development plans, which may be subject to change.

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

During the three-year period ended December 31, 2017 and the six months ended June 30, 2018, we did not terminate or void any purchase contracts due to delay in delivering properties to our customers based on the time frame set forth in the respective contracts. In addition, development costs for each of our projects were within their respective budgets during such period.

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

	As of June 30, 2018										
		Total Saleable GFA Unsold									
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA	Total GFA	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[1]
Completed Projects/Phases											
Nanjing											
Nanjing Fantasia Town 南京花樣城	80,204	7,272	–	129,343	136,615	160,407	100%	March 2016	June 2018	June 2016	R
Guilin											
Guilin Lakeside Eden 桂林麓湖國際	23,178	4,599	–	88,821	93,420	95,564	100%	March 2015	May 2018	Dec 2015	R,C
Chengdu											
Grand Valley 成都大溪谷	11,140	–	–	16,196	16,196	16,710	70%	Sep 2015	April 2018	Jan 2016	R
Subtotal	114,522	11,871	–	234,360	246,231	272,681					

	As of June 30, 2018										
		Total Saleable GFA Unsold									
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA	Total GFA	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[1]
Projects/Phases Under Development											
Huizhou											
Huizhou Kangchengsiji 惠州康城四季	62,221	84,930	–	54,331	139,261	171,108	100%	Sep 2016	Dec 2018	Jun 2017	R
Huahaoyuan 花好園	20,302	58,952	–	–	58,952	80,396	100%	Apr 2018	Sep 2019	Oct 2018	R
Guilin											
Guilin Lakeside Eden 桂林麓湖國際	103,789	329,042	–	–	329,042	435,917	70%	Mar 2018	Mar 2020	Aug 2018	R
Chengdu											
Longnian International Center 龍年國際中心	38,560	–	–	–	101,287	134,962	100%	Nov 2016	Jun 2019	May 2017	U
Grand Valley 大溪谷	31,453	60,689	–	–	60,689	126,756	70%	Apr 2018	Apr 2020	Dec 2018	R
Xiangmendi 香門第	271,185	415,876	–	91,568	507,444	676,880	100%	Oct 2016	Dec 2018	Jul 2017	R
Jiatianxia 家天下	182,504	90,330	–	342,922	433,252	552,260	55%	Jan 2017	Sep 2019	Sep 2017	R
Belle Epoque 君山	5,210	3,869	–	1,473	5,342	5,342	100%	Nov 2016	Dec 2018	Dec 2017	R
Zhihuicheng 智薈城	147,023	53,061	–	208,560	261,621	352,857	100%	Jan 2018	Jun 2020	Feb 2018	R
Chengdu Love Forever 花郡	86,152	114,618	–	–	114,618	241,227	91%	May 2018	Jul 2020	Jan 2019	R
Tianjin											
Tianjin Love Forever 花郡	1,786	–	2,679	–	2,679	3,600	60%	Oct 2016	Jun 2019	Jan 2017	R
Huaxiang 花鄉	19,642	10,248	–	–	10,248	16,479	60%	Nov 2016	Sep 2019	Mar 2017	R
Jiatianxia 家天下	115,662	85,487	–	48,717	134,204	173,494	60%	Jun 2018	Oct 2020	Jun 2018	R

	As of June 30, 2018										
		Total Saleable GFA Unsold									
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA	Total GFA	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[(1)]
Suzhou											
Suzhou Lago Paradise Land 太湖天城	150,753	35,030	–	44,877	79,907	155,766	100%	Jun 2017	May 2019	Dec 2017	R
Taicang Taigucheng 太倉太古城	30,877	44,804	–	16,206	61,010	82,734	100%	May 2017	Sep 2019	Nov 2017	U
Ningbo											
Cixi Yuefu 慈溪悅府	90,471	60,118	–	90,747	150,865	239,750	100%	Jan 2018	April 2019	Sep 2017	R
Hefei											
Baolifeng 寶利豐	69,100	417,138	–	62,240	479,378	554,083	100%	Jan 2018	Dec 2018	Mar 2018	U
Wuhan											
Jinxiu Town 錦繡城	54,238	21,543	–	170,720	192,263	235,746	50%	Oct 2016	Oct 2019	Jan 2017	R
Shenzhen											
Jiatianxia 家天下	24,519	3,647	–	43,043	46,690	64,241	10%	Jan 2017	Dec 2018	Dec 2017	U
Nanjing											
Hailrun Plaza 喜年廣場	52,190	16,769	–	84,415	101,184	206,029	70%	Dec 2014	Dec 2018	Jan 2016	U
Nanjing Love Forever 花郡	87,317	37,481	–	82,251	119,732	165,801	100%	Jun 2016	Nov 2018	Nov 2016	R
Jiatianxia 家天下	175,837	164,014	–	–	164,014	316,507	100%	May 2018	May 2020	Dec 2018	R
Subtotal	1,820,791	2,107,646	2,679	1,342,070	3,553,682	4,991,935					

	As of June 30, 2018										
		Total Saleable GFA Unsold									
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA	Total GFA	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[1]
New projects to be developed											
Shenzhen											
Jiatianxia 家天下	65,491	266,016	–	–	266,016	266,016	10%	N/A	N/A	N/A	R,C
Huizhou											
Remaining Phasese of Kangchengsiji 康城四季後期	20,940	47,144	–	–	47,144	47,144	100%	N/A	N/A	N/A	R,C
Qiuchang Project 秋長項目	123,331	188,680	–	–	188,680	188,680	100%	N/A	N/A	N/A	R
Shanghai											
Guobang Garden 國邦花園	2,306	6,561	–	–	6,561	6,561	100%	N/A	N/A	N/A	O
Guilin											
District E of Guilin Lakeside Eden Community 麓湖國際E區	105,578	491,833	–	–	491,833	491,833	70%	N/A	N/A	N/A	R,C
District D of Guilin Lakeside Eden Community 麓湖國際D區	132,791	485,486	–	–	485,486	485,486	100%	N/A	N/A	N/A	R,C

	As of June 30, 2018										
		Total Saleable GFA Unsold									
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA	Total GFA	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[1]
Chengdu											
Belle Epoque 君山	355,506	130,643	–	–	130,643	130,643	100%	N/A	N/A	N/A	R,C
Grand Valley 大溪谷	575,098	622,934	–	–	622,934	622,934	70%	N/A	N/A	N/A	R,C
Jiatianxia 家天下	58,756	362,048	–	–	362,048	362,048	55%	N/A	N/A	N/A	R,C
Zhihui Town 智薈城	115,718	409,814	–	–	409,814	409,814	100%	N/A	N/A	N/A	R,C
Ziyang Project 資陽項目	73,549	283,469	–	–	283,469	283,469	91%	N/A	N/A	N/A	R,C
Jiangshan 江山	131,335	464,638	–	–	464,638	464,638	100%	N/A	N/A	N/A	R
Kanjinzhao 看今朝	46,689	134,164	–	–	134,164	134,164	100%	N/A	N/A	N/A	R,C
Hangzhou											
Hangzhou Project 杭州項目	52,138	156,414	–	–	156,414	156,414	49%	N/A	N/A	N/A	C
Beijing											
Yaxinke Project 亞新科項目	157,750	268,174	–	–	268,174	268,174	76%	N/A	N/A	N/A	R
Tianjing											
Remaining phases of Love Forever 花郡剩餘分期	32,535	37,711	–	–	37,711	37,711	60%	N/A	N/A	N/A	R
Remaining phases of Huaxiang 花鄉剩餘分期	76,660	155,433	–	–	155,433	155,433	60%	N/A	N/A	N/A	R
Yingcheng Lake Project 營湖城項目	100,000	168,339	–	–	168,339	168,339	100%	N/A	N/A	N/A	R,C,T

	As of June 30, 2018										
		Total Saleable GFA Unsold									
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA	Total GFA	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[(1)]
Shijiazhuang											
Linghang International 領航國際	8,131	63,740	–	–	63,740	63,740	51%	N/A	N/A	N/A	C
Tangshan											
Fantasia Bay 花漾爾灣	212,852	497,003	–	–	497,003	497,003	51%	N/A	N/A	N/A	R,C
Wuhan											
Xingfuwanxiang 幸福萬象	12,087	51,410	–	–	51,410	51,410	31%	N/A	N/A	N/A	C
No. 1 Hanzheng Street 漢正街一號	54,235	338,700	–	–	338,700	338,700	100%	N/A	N/A	N/A	C
Huahaoyuan 花好園	35,349	188,987	–	–	188,987	188,987	100%	N/A	N/A	N/A	R
Jinshanghua 錦上花	12,522	55,600	–	–	55,600	55,600	100%	N/A	N/A	N/A	R
Jinxiu Town 錦繡城	25,821	110,350	–	–	110,350	110,350	50%	N/A	N/A	N/A	R,C
Jiangshan 江山	125,419	357,567	–	–	357,567	357,567	100%	N/A	N/A	N/A	R,C
Biyuntian 碧雲天	59,235	251,158	–	–	251,158	251,158	90%	N/A	N/A	N/A	R,C
Subtotal	2,771,822	6,594,016	–	–	6,594,016	6,594,015					

Note:

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

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

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

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

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

Types of Properties	exchange offer memorandum	Consolidated financial statements
• Properties for which we have received the completed construction works certified report from the relevant government construction authorities	• Completed projects	• Completed properties for sale (excludes completed properties that have been sold) • Completed investment properties
• Properties for which we have obtained the required construction works commencement permits but are yet to receive the completed construction works certified report	• Properties under development	• Properties for sale – Under development • Investment properties under development
• Properties for which we have obtained the relevant land use rights certificates and started preliminary design work but have not yet received the required construction works commencement permits	• Future development projects – land use rights obtained	• Properties for sale – Under development • Investment properties under development
• Properties for which we have not obtained land use rights certificates but have entered into contractual agreements to obtain the relevant land use rights certificates and started preliminary design work	• Future development projects – property rights to be acquired and potential new property development projects	• Properties for sale – Under development • Investment properties under development

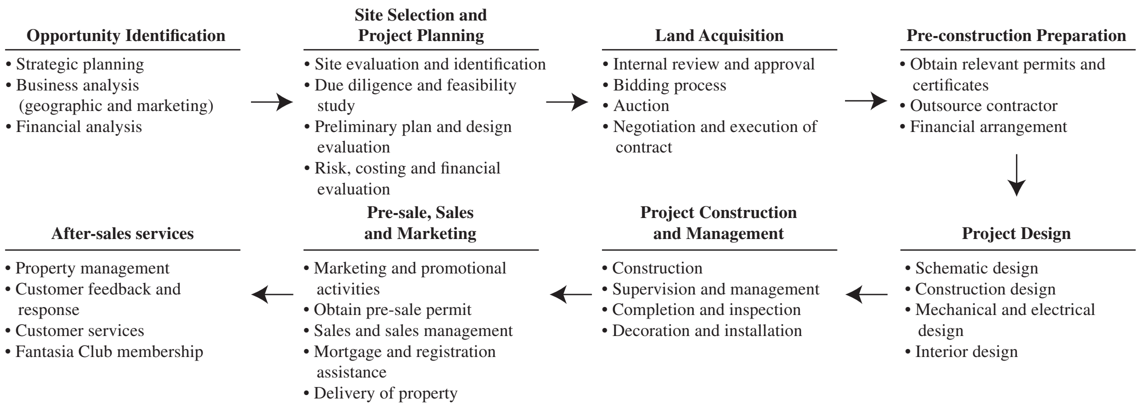
Our Business Segments

Our business includes (i) property development, (ii) property investment, (iii) property operation services, (iv) property agency services and (v) hotel services. Our property operation services include property management services, building equipment installation, maintenance and repair services, information network services and other value-added services such as secondary property brokerage services after our disposal of Xingyan Property Consultancy. Historically, our Group provided dedicated property agency services through Xingyan Property Consultancy, in which we owned an 85% equity interest. Due to the restructuring of the Group's business and in order for us to focus on our other major segments, we disposed of our entire 85% interest in Xingyan Property Consultancy in February 2011 to an independent third party. Our hotel services include hotel management and operation services. As of June 30, 2018, except as would not result in a material adverse effect to our business, we and our PRC subsidiaries were in possession of all of the relevant approvals and qualification certificates required under PRC laws and regulations in order to conduct our businesses.

Property Development

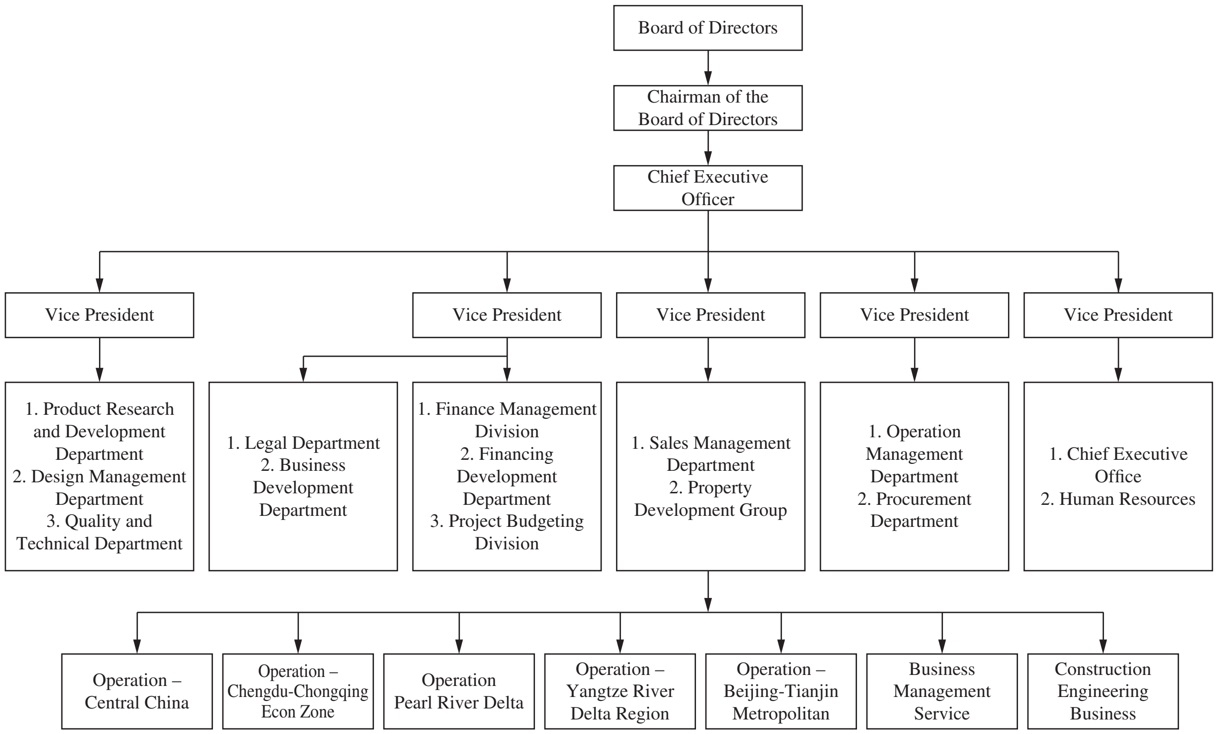
Overview

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



Project Management

We have established project companies to supervise and manage our property development projects in different cities or regions in China that we believe will best allow us to address the unique market associated with such cities or regions. The senior management of our Group works closely with the senior management of each of our project companies to provide guidance as to the overall strategic directions of our Group as well as to supervise and oversee the activities of each of the project companies. The following chart illustrates the management structure of our Group as of June 30, 2018:



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

Opportunity Identification

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

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

Site Selection

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

- size, shape and location of the parcel;
- transportation access and availability of infrastructural support;
- prospects of economic development in the area, government income GDP and social, economic and environmental conditions of the area;
- demand for properties in the relevant area, including pricing potentials;
- existing and potential property developments in the area;

- convenience of the site, such as proximity to the city center, airport, subway and commercial facilities;

- suitability of the site for our products;

- cost, investment and financial return, including cash flow and capital appreciation;

- the status of the land use rights with respect to the targeted site if acquired in the secondary market; and

- government development plans for the relevant site and neighboring area.

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

Land Acquisition

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

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

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

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

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

In May 2016, Prominent Sing Limited (萃聲有限公司), one of our indirect wholly-owned subsidiaries entered into an agreement to acquire ASIMCO Investments III Ltd. (亞新科第三投資有限公司), which held subsidiaries that own land use rights to certain parcels of land in Fengtai District in Beijing and Wuqing District in Tianjin.

Moreover, we also obtained following awards through rights acquisition: Taicang Taigu City (太倉太古城) in Suzhou, Yun Ding Gongguan (雲頂公館) in Jiangxi, Love Forever (花郡) in Nan Jing, Guo Bang Garden (國邦花園) in Shang Hai, Han Zheng Jie (漢正街) in Wu Han. Zi Jin Hua Fu (紫金華府項目) in Hui Yang, Zhi Hui Cheng (智薈城) and project Zi Yang (資陽項目) in Cheng Du, Jia Tian Xia (家天下) in Nan Jing, Hua Hao Yuan (花好園), Jing Shang Hua (錦上花) and Bi Yun Tian (碧雲天) in Wuhan, Bao Li Feng (寶利豐) in He Fei, project Guo Ji Lv You Dao (國際旅遊島項目)in Tang Shan, project 360 Zhi Hui Wang Gu Xiao Zheng (360智慧網谷小鎮) in Hang Zhou, project Jie Pai (界牌項目) in Ci Xi.

Pre-Construction

Permits and Certificates

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

- land use rights certificate, which is a certification of the right of a party to use a parcel of land;

- construction land planning permit, which is a permit authorizing a developer to begin the survey, planning and design of a parcel of land;

- construction works planning permit, which is a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a construction works commencement permit;

- construction works commencement permit, which is a permit required for commencement of construction; and

- pre-sale permit, which is a permit authorizing a developer to start the pre-sale of property still under construction.

As of June 30, 2018, we had obtained all the required land use rights certificates and permits for our existing properties under development, taking into account the respective stages of development at such date. In addition, we have obtained all land use rights certificates for our properties that are held for future development. We have also entered into preliminary framework agreements with the local government authorities and relevant third parties related to 13 potential new projects located in Shenzhen, Wuhan, Huizhou, Chengdu, Kunming Huizhou, Ningbo, Beijing and Suzhou. We expect to enter into additional agreements related to those one projects in order to obtain the land use rights certificates.

Financing of Property Development

Historically, our main sources of funding for our property development are internal funds, proceeds from pre-sales and sales of properties and borrowings from banks and other financial institutions. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Since June 2003, commercial banks have been prohibited under PBOC guidelines from advancing loans to fund the payment of land premium. As a result, property developers may only use their own funds to pay for land premium. In the past, we typically financed the acquisition of land reserves from internal funds and proceeds from the pre-sale of properties, while our property development costs, including construction costs and additional financing for existing projects, are typically financed by internal funds, proceeds from the pre-sale of properties and project loans from PRC banks.

During the three years ended December 31, 2017, and for the six months ended June 30, 2018 all of our payments of land premiums have been funded by internal funds and proceeds from the pre-sales of properties and equity and debt financing (other than project loans from PRC commercial banks). We typically use internal funds, proceeds from pre-sales and loans from PRC commercial banks to finance the construction costs for our property developments. From time to time, we also seek to obtain further funding to finance our project developments by accessing the international capital markets. We plan to use bank borrowings, internal funds, proceeds from the pre-sales and sales of our properties, and other cash generated from our operation to finance our future payments of property developments.

Design

In order to provide our customers with distinctive designs and also to achieve operating efficiency, we outsource the design of substantially all of our property development projects to third party domestic or international architecture and design firms. We have worked closely with leading domestic and international architecture and design firms, such as Shenzhen Cube Architecture Design Office, China Southwest Architectural Design and Research Institute Corp. Ltd., AECOM, Earth Asia Design Group (Shanghai) Co., Ltd., RTKL Associates Inc., Kengo Kuma and Associates, Kenneth Ko

Designs Ltd., Steve Leung Designers Ltd., PAL Design Consultants Ltd. and Woods Bagot Asia Limited. Our product design divisions are responsible for selecting third-party architecture and design firms, taking into consideration their reputation, proposed designs and their past relationship with us. From time to time, we also engage in a tender process in which the architecture and design firms submit proposals which we determine whether they can be translated into commercially viable projects. Our product design divisions supervise and provide the third-party architecture and design firms with certain directions and design criteria in which we aim to market our property development projects. In addition, our product design divisions work closely with the architecture and design firms in major aspects of the design process, from master planning, design specifications and adjustments, raw material selection, to ensuring that the designs are in compliance with local regulations. Our product design divisions monitor closely the work of the architecture and design firms to ensure that the project designs meet our specifications and work together with our project directors and our construction management divisions to ensure that any problems encountered with the proposed design during construction are resolved in a timely manner.

Project Construction and Management

Construction and Procurement

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

Our construction contracts are typically fixed price contracts that, except for certain provisions relating to the procurement of construction materials, provide for periodic payments during construction until a specified maximum percentage of the total contract sum is paid upon the completion of quality inspection. We generally retain a small portion of the contract price until the end of the warranty period as specified under the construction contracts to cover any potential expenses incurred as a result of any construction defects. However, under certain circumstances, the construction contracts also provide for bonus payment to the contractors if the construction is completed ahead of schedule. The construction contracts we enter into with construction companies also typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. A project director from our project companies is assigned to each project to monitor quality and cost control and construction progress closely during construction. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. During the years ended December 31, 2015, 2016, 2017 and the six months period ended June 30, 2018, we have not experienced delay in construction or unsatisfactory quality of workmanship. In addition, as of June 30, 2018, we had not historically experienced any material disputes with any of our contractors.

A significant portion of the equipment and material used during construction are purchased by the contractors in accordance with the specifications provided by the design plan of the architecture and design firms and us. Certain materials, however, are purchased based on the joint consultation and selection between our contractors and us, such as cement. Furthermore, certain other equipment and materials, such as elevators, interior decoration materials and air conditioning systems, are purchased by us through our construction management divisions. Each transaction is initiated by a purchase order and the suppliers are asked to deliver the supplies to locations specified by the relevant property development projects. Depending on factors such as costs, shipping expenses, convenience, quality and the type of equipment and materials needed for a particular project, each of our construction management divisions may purchase the same equipment and material from different suppliers or may combine to purchase from the same supplier to enhance our negotiating powers.

Quality Control and Supervision

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

Pre-sale, Sales and Marketing

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

- the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;

- the required construction works planning permits and the construction works commencement permits must have been obtained;

- the funds contributed to the property developments where property units are pre-sold may not be less than 25% of the total amount invested in a project and the progress and the expected completion date and delivery date of the construction work have been confirmed;

- pre-sale permits have been obtained from the construction bureaus at local levels; and

- the completion of certain milestones in the construction processes or other requirements as specified by the local government authorities.

These mandatory conditions are designed to require a certain level of capital expenditure and substantial progress in project construction before the commencement of pre-sales. Generally, the local governments also require developers and property purchasers to use standard pre-sale contracts prepared under the supervision of the local government. Developers are required to file all pre-sale contracts with local land bureaus and real estate administrations after entering into such contracts. We have complied with all the relevant pre-sale rules and regulations in the past in all material respects.

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

After-sales Services

Payment Arrangements

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

In accordance with industry practice, we provide guarantees to banks with respect to the mortgages offered to our purchasers upon requests of the banks. These guarantees are released upon (i) the relevant property certificates being delivered to the banks and completion of the relevant mortgage registrations, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our projects. As of December 31, 2015, 2016 and 2017 and the six months period ended June 30, 2018, our outstanding guarantees on the mortgage loans of our purchasers amounted to RMB6,442.0 million, RMB6,258.2 million, RMB7,296.7 million (US$1,102.7 million) and RMB8,464.7 million (US$1,279.2 million) respectively, which were approximately 14.5%, 12.6%, 10.6% and 10.5% respectively, of our total assets. The default rates on the repayment of our purchasers against the total guarantees we provided in connection with mortgage loans of our purchasers were negligible during the three-year period ended December 31, 2017 and the six months period ended June 30, 2018. See "Risk Factors – Risks Relating to Our Business – We guarantee mortgage loans provided to our purchasers and may be to the mortgagee banks if our purchasers default on their mortgage loans." We do not conduct independent credit checks and due diligences on our purchasers when providing guarantees but instead rely on the credit checks conducted by the mortgage banks, and will typically require a higher initial payments from purchasers with less than ideal credit histories or purchasers whose mortgage is considered too high as compared to their income. In addition, for certain purchasers that have been delinquent in their other financing obligations, we may refuse to provide such guarantees. We believe that our outstanding guarantees on the mortgage loans of our purchasers are over-secured as we believe the aggregate fair value of the underlying properties exceeds the aggregate amount of outstanding guarantees.

Delivery and Other After-sales Services

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

We endeavor to deliver the units to our customers on a timely basis. We closely monitor the progress of the construction of our property projects and conduct pre-delivery property inspections to ensure timely delivery. The time frame for delivery is set out in the purchase contracts entered into with our customers, and we are subject to penalty payments to the purchasers for any delay in delivery caused by us. Once a property development has been completed, it must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the construction contractors arrange for final inspection by the property development authority. Within 15 days of the completion of the final inspection, the property developers must file a completion inspection report upon the completion of properties with the relevant property development authority, at which time the property is ready for delivery and we may hand over keys and possession of the properties to our customers. During the three-year period ended December 31, 2017 and the six months period ended June 30, 2018, we have completed our construction and delivered the units to our customers based on our development schedule and the time frame for delivery set out in the purchase contracts.

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

For additional information as to our property management services, see "– Our Property Operation Business – Property Management Services."

Commitments and Undertakings

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

Our Property Investment Business

We currently hold certain commercial, industrial and residential units, office spaces, retail shops and car parking spaces, which we consider to be properties held for investment. Such properties are held and managed by us in order to provide us with recurring rental income as well as for capital appreciation potentials. Our investment properties are typically located in prosperous city business areas or areas around city centers as well as in large communities that we develop. In addition, by holding certain properties for lease in the projects that we develop, we believe we have the ability to introduce certain tenants that may potentially increase the attractiveness of our properties. In selecting tenants, we generally consider factors such as the business of the tenant, the attractiveness of such business to the residents or tenants of our properties, competing business in the surrounding area and reputation, among others. The table below sets forth our investment properties as of June 30, 2018:

	Office and Industrial	**Residential**	**Commercial**	**Car park**
	(square meters)	**(square meters)**	**(square meters)**	**(units)**
Total GFA retained for investment.	101,460	29,012	774,512	17,423

The car parking spaces that we hold for investment in Shenzhen contributed an insignificant portion to our total revenue, during the three-year period ended December 31, 2017 and the six months period ended June 30, 2018.

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

As a result of holding investment properties, our profitability may fluctuate substantially due to changes in fair value of our investment properties because certain portion of our net profits were, during the three-year period ended December 31, 2017 and the six months period ended June 30, 2018, and will continue to be, attributable to changes in the fair value of our investment properties. The fair value of our investment properties is likely to fluctuate from time to time in accordance with local real property market conditions and factors that are beyond our control and may decrease significantly in the future.

Our Property Operation Business

Overview

Historically, we conducted our property operation business through certain PRC subsidiaries. In June 2014, we restructured our property operation business through an initial public offering of the shares of Colour Life, a subsidiary of the Colour Life Group. We have designated our subsidiaries within the Colour Life Group as unrestricted subsidiaries in accordance with the indentures governing the 2010 Notes, the 2012 Notes, the January 2013 Notes, the May 2013 Notes, the 2014 Notes, the 2015 Notes and the 2016 Notes, and will designate them as unrestricted subsidiaries in accordance with the Indenture.

Colour Life Group is one of the leading property management companies in the PRC. It has three main business segments:

- *Property management services*, which primarily include: (i) provision of services to residential communities under commission basis; (ii) provision of services to residential communities under lump sum basis; (iii) provision of pre-sale services to property developers; and (iv) provision of consultancy services to regional property management companies;

- *Community leasing, sales and other value-added services* (also referred to as value-added services), which primarily include: (i) provision of common area rental assistance services; (ii) provision of online promotion services and leasing information system software; (iii) provision of sales and rental assistance; and (iv) provision of office sublet and other value-added services;

- *Engineering services*, which primarily include: (i) provision of equipment installation services to property developers in accordance with their requirements; (ii) provision of repair and maintenance services to the communities it manages, provides consultancy services to and cooperates with; (iii) automation and other equipment upgrade services through our equipment leasing program; and (iv) provision of energy-saving services through the construction implementation, equipment installation and equipment leasing.

As of the date of this exchange offer memorandum, we beneficially hold 46.53% equity interest in the Colour Life Group.

Our property operation services business has expanded to cover a total of 209 cities in China, as well as in Singapore. Property operation services provided include property management services, building equipment installation, maintenance and repair services and information network services. In addition to servicing properties developed by us, our Group's property operation services are also provided to properties of other real estate developers. Our property operation business also maintains secondary property brokerage services as a value-added service since our disposal of Xingyan Property Consultancy in February 2011. As of June 30, 2018, we had 30,456 employees for our property operation business. Each operating subsidiary within this business segment has received the relevant certifications and qualifications to provide the respective property operation services.

Property Management Services

Our property management services are primarily provided by the Colour Life Group and Fantasia Property Management (International) Company Limited. Our Shenzhen Colour Life Services Group Co., Ltd. within the Colour Life Group was recognized as the "2009–2018 (10 Consecutive Years) Top 100 Property Management Companies of China" by China Index Academy and a 2014 Top 100 China Property Management Enterprise (2014中國物業服務百強企業), a recognition that we have received since 2009, as well as a 2012 China Outstanding Property and Service Brand Enterprise (2012中國優秀物業服務品牌企業) and the Largest Community Service Operator (中國最大社區服務運營商), both of which were granted from the China Real Estate Top 10 Research Team (中國房地產Top 10研究組). Fantasia Property Management (International) Company Limited is responsible for the high-end property projects of the Group and has obtained ISO9000, ISO14000 and OHSAS18000 integrated system certifications.

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

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

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

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

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

	As of December 31,			As of June 30,	
	2015	2016	2017	2017	2018
	(in thousands of square meters)				
GFA under management . . .	303,473	357,521	404,269	383,090	476,953
GFA in which advisory services are provided	18,651	37,599	31,715	37,149	7,026
Total	322,124	395,120	435,984	420,239	483,979

As of June 30, 2018, of the total GFA under management by us, approximately 6.2 million square meters, or 0.8%, were properties developed by us and approximately 725.1 million square meters, or 99.2%, were properties developed by independent third parties. All GFA to which we provide advisory services were properties developed by independent third parties.

Building Equipment Installation, Maintenance and Repair Services

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

Information Network Services

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

Secondary Property Brokerage Services

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

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

Our Property Agency Business

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

Our Hotel Services Business

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

In 2012, Rhombus Fantasia Chengdu Hotel was awarded "Top 10 Newly Opened Hotels in China" (中國十佳最新開業酒店大獎) from the 2012 China Hotel Starlight Awards (中國酒店星光大獎). The brand "U Hotel" was awarded 2012 and 2013 China Chained Boutique Hotel Brand with the Most Development Potential" (2012及2013年度中國最具發展潛力精品連鎖酒店品牌) at the 9th Golden Pillow Award of China Hotels (中國酒店金枕頭獎) and the "2013 Most Progressive Hotel Brand" (2013中國最具發展潛力酒店品牌) at the 9th China Hotel Starlight Awards. In April 2015, Arcadia Resort Hotel in Yixing stood out in the Adjudication and Selection of "the Tenth China Hotel Starlight Awards" and was awarded the honour of the "10 Best Travelling and Resort Hotel in China"

(中國十佳旅遊度假酒店). In April 2015, the Annual Meeting for Asia Hotel Forum 2015 cum the Award Ceremony of China Hotel Starlight Awards was held in Shanghai, Guilin Lingui Fantasia Four Points by Sheraton stood out among the numerous participating hotels and was awarded the honour of the "China's Top 10 New Hotels" (中國十佳新開業酒店). In June 2015, Tianjin Future Plaza project was awarded the government subsidies for RMB100 million building project and the honour of the "Outstanding Property Management in Tianjin" (天津市物業管理優秀項目). In September 2015, our Chengdu Funian project participated in the Adjudication and Selection of the outstanding building project in Chengdu and successfully attained the title of the outstanding building project in Chengdu. Our Longqi Bay project in Shenzhen was awarded the Best Villas of the Year at the 8th China Real Estate Annual Conference in 2016. In February 2016, a hotel management company under Fantasia's cultural tourism group was awarded the honour of "the Golden Lion award of the Best Hotel Management Company in China" (中國最佳酒店管理公司金獅獎) issued by Golden Leaders' Federation of International Hotels. In May 2017, Fantasia Cultural Tourism Management Group's U Hotel Shenzhen was awarded the title of "The Best Boutique Hotel" in Langya Rating in 2017 (2017年度琅琊榜「最佳精品飯店」) by Shenzhen Hotel Association. In June, Shenzhen Fantasia Hotel Management Co., Ltd was awarded the "Golden Pearl Award" for GHM hotels in 2017 (2017 粵港澳酒店GHM「金珠獎」) by the GHM Hotel General Manager Association. In March 2018, Fantasia Taipei U Hotel was awarded the "Selected Premuim Hotels of LN Hotel Alliance" by Agoda. In May 2018, Fantasia Taipei U Hotel was granted the "Environment-friendly Hotel Certification" by Environmental Projection Administration Executive Council, Taipei Municipal Environmental Protection Bureau and Taipei Municipal Tourism Bureau.

The table below sets forth certain information relating to our hotels as of June 30, 2018:

Hotel name	City	Positioning	Actual or estimated hotel floor area (square meters)	Actual or estimated number of rooms	Type of premises	Management Company	Operating progress	Actual or estimated commencement date
Hyde Hotel Yixing . . .	Yixing	Holiday	18,173	220	Self-owned/Leased	Shenzhen Fantasia Hotel Management Company Limited	In operation	October 2010
U Hotel Shenzhen	Shenzhen	Boutique	7,581	109	Leased	Shenzhen Fantasia Hotel Management Company Limited	In operation	January 2012
Hyde Hotel Junshan . . .	Chengdu	Holiday	10,800	68	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	February 2013
U Hotel Tianjin	Tianjin	Boutique	8,697	122	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	December 2013
U Hotel Chengdu.	Chengdu	Boutique	8,255	132	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	March 2014
Four Points by Sheraton Guilin Lingui	Guilin	Five-star	28,554	242	Self-owned	Starwood Asia Pacific Hotels & Resort Pte Ltd	In operation	October 2014
Four Points by Sheraton Chengdu Pujiang Resort	Chengdu	Five-star	33,384	276	Self-owned	Starwood Asia Pacific Hotels & Resort Pte Ltd.	In operation	May 2015

Hotel name	City	Positioning	Actual or estimated hotel floor area (square meters)	Actual or estimated number of rooms	Type of premises	Management Company	Operating progress	Actual or estimated commencement date
U Hotel Ningbo	Ningbo	Boutique	11,407	88	Leased	Shenzhen Fantasia Hotel Management Company Limited	In operation	August 2013
Luhu Club House Guilin .	Guilin	Club	5,133	3	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	December 2014
U Hotel Taipei	Taipei	Boutique	4,090	58	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	September 2015
373 Hotel USA	New York	Boutique	1,864	70	Self-owned	Shenzhen Fantasia Hotel Management Company Limited	In operation	April 2014
			137,938	1,388				

Properties Used or Occupied by Us

Our corporate headquarters are located at Block A, Shenzhen Funian Plaza, Intersection of Shihua Road and Zijing Road, Futian Free Trade Zone, Shenzhen 518048, with a GFA of approximately 4,050 square meters. Such property is owned by Shenzhen Fantasia Investment Development Co. Limited, a project development company in which we own 100% equity interest. In addition, we currently own and lease a number of other properties that are used as our offices.

As of June 30, 2018, properties owned and used by us had an aggregate GFA of approximately 111,576 square meters and properties that we leased had an aggregate GFA of approximately 199,945 square meters, with an aggregate GFA of approximately 199,650 square meters located in the PRC and an aggregate GFA of approximately 295 square meters located in Hong Kong. We lease such properties primarily as offices of the local branches of our subsidiaries and staff dormitories of our employees.

Intellectual Property

We place significant emphasis on developing our brand image and resort to extensive trademark registrations to protect all aspects of our brand image. We have registered in the PRC and in Hong Kong the trademarks of "花樣年" and "花樣年FANTASIA" to protect our corporate name in Chinese and English. In addition, we have registered trademarks and trademark registration applications in Hong Kong and the PRC that cover the names of our important subsidiaries and property development projects and services.

We have also registered the domain name of *www.cnfantasia.com* for the website of our Group on the Internet.

Competition

There are many property developers that undertake property development projects in the Chengdu- Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region, the Beijing- Tianjin metropolitan region and Central China and elsewhere in the PRC. Our major competitors include large national and regional property developers, including local property developers that focus on one or more of the regions in which we operate. We endeavor to further strengthen our leading position in these regions. Our competitors, however, may have a better track record, greater financial, marketing and land resources, broader name recognition and greater economies of scale than us in the regions where we operate.

We also face competition for our real estate services businesses from other real estate service providers in China as well as certain international real estate service providers. Competition in the real estate services business is rapidly evolving, highly fragmented and competitive, and our competitors and competitive factors differ depending on the type of services provided and the geographic market in which we provide such services. Compared to property development, real estate services businesses require a smaller commitment of capital resources and have a relatively lower barrier of entry. Our competitors may have more experience and resources than we have.

For more information on competition, see "Risk Factors – Risks Relating to Our Business – We face intense competition with respect to our property development business, property operation services business, property agency services business and hotel services business."

Insurance

We do not maintain insurance policies for properties that we have delivered to our customers, nor do we maintain insurance coverage against potential losses or damages with respect to our properties before their delivery to customers. In addition, our contractors typically do not maintain insurance coverage on our properties under construction. Based on industry practice in the PRC, we believe that third-party contractors should bear liabilities from tortious acts or other personal injuries on our project sites, and we do not maintain insurance coverage against such liabilities. The construction companies, however, are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have established a set of standards and specifications to be complied with during the construction process. Furthermore, we engage qualified supervision companies to oversee the construction process. Under PRC laws, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that he/she is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we would generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us. To date, we have not experienced any material destruction of or damage to our property developments nor have any material personal injury-related claims been brought against us.

Our directors believe our insurance policies are adequate and in line with the industry practice in the PRC. However, we may not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See "Risk Factors – Risks Relating to Our Business – We may suffer losses arising from uninsured risks."

Employees

As of June 30, 2018, excluding the employees of communities managed on a commission basis, we had 30,456 full time employees. The following table provides a breakdown of our employees by responsibilities as of June 30, 2018:

Management	869
Administration	6,110
Accounting	1,395
Human Resources	1,501
Engineering	2,959
Marketing and Sales	2,902
Property, Hotel and Other Management Services	19,720
Total	30,456

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

Environmental Matters

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental impact assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. During the course of construction, the property developer must take measures to prevent air pollution, noise emissions and water and waste discharge. In addition, as we contract our construction works to independent third-party contractors and pursuant to the terms of the construction contracts, the contractors and subcontractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority. During construction, our project directors and project management teams will supervise the implementation of the environmental protection measures.

In addition, PRC environmental laws and regulations provide that if a construction project includes environmental facilities (including engineering projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required. Our business is of such a nature that we are not required to construct environmental facilities and, therefore no approval in respect of environmental facilities from the environmental authorities is necessary.

We believe that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. See "Risk Factors – Risks Relating to Our Business – We are subject to potential environmental liability that could result in substantial costs."

Health and Safety Matters

Under PRC laws and regulations, we, as a property developer, have very limited potential liabilities to the workers on and visitors to our construction sites, most of which rest with our contractors. Under the Construction Law of the People's Republic of China (中華人民共和國建築法),

the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor. Under the Environmental and Hygienic Standards of Construction Work Site (建築工地現場環境和衛生標準), a contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. To our knowledge, there has been no material non-compliance with the health and safety laws and regulations by our contractors or subcontractors during the course of their business dealings with the Group. During the earthquake that struck Sichuan province in China in May 2008 and in April 2013, neither our Group nor our contractors suffered any loss of lives or injury to our and their respective employees as a result.

In addition, our project directors and project management teams will engage in a weekly safety inspection to ensure the safety of the work environment of our construction sites.

Legal Proceedings

As of the date of this exchange offer memorandum, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See "Risk Factors – Risks Relating to Our Business – We may be involved in legal and other proceedings arising out of our operations from time to time and may incur substantial losses and face significant liabilities as a result."

MANAGEMENT

Our board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board:

Name	Age	Position
PAN Jun (潘軍)	47	Chairman, executive director and chief executive officer
ZENG Jie, Baby (曾寶寶)	47	Executive director
DENG Bo (鄧波)	50	Executive director
LI Dongsheng (李東生)	61	Non-executive director
LIAO Qian (廖騫)	38	Non-executive director
LAM Kam Tong (林錦堂)	49	Non-executive director
HO Man (何敏)	48	Independent non-executive director
HUANG Ming (黃明)	54	Independent non-executive director
LIAO Jianwen (廖建文)	51	Independent non-executive director
GUO Shaomu (郭少牧)	52	Independent non-executive director
WONG Pui-sze, Priscilla, JP (王沛詩)	58	Independent non-executive director

Directors

Executive Directors

Mr. PAN Jun (潘軍), aged 47, is the chairman of the Board, an executive Director, the chief executive officer, the chairman of the Company's nomination committee, and a member of the Company's remuneration committee. He joined the Group in 1999 and is responsible for the overall operation of the Group's projects, the formulation of our development strategies, as well as supervising the project planning, business and operation management of the Group. He is also currently the president of Fantasia Group (China) Company Limited, the president of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Group's subsidiaries including a non-executive director of Colour Life. Prior to joining the Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in Conservancy and Hydropower Engineering from Chengdu University of Science and Technology (成都科技大學), now Sichuan University (四川大學), in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Ms. ZENG Jie, Baby (曾寶寶), is an executive Director of the Company. She is also a member of the Company's nomination committee. Ms. Zeng is one of the controlling shareholders and the largest shareholder of the Company.

Mr. DENG Bo (鄧波), aged 50, is an executive Director of Company. Mr. Deng currently serves as the assistant chief executive of Fantasia Group (China) Company Limited, a wholly-owned subsidiary of the Company, and is responsible for the strategy management department, information department, mass data center, Leed Home Company (立得屋公司), the Company's Japan branch, Soushe Community Services Development Research Institute (搜社社區服務發展研究院) and Innovative Financial Research Institute (創新金融研究院) (authorized custodian).

Mr. Deng graduated from Hunan University in June 1989 with a Bachelor's degree in Architectural Studies. He also earned a Master's degree in Architectural Studies from the same university in July 1995. Prior to joining the Company, Mr. Deng held the position of investment development director of Oceanwide Real Estate Group from December 1998 to April 2010; from May 1997 to November 1998, he served as a design director of Shenzhen Grand Field Real Estate

Development Co., Limited (深圳市鈞濠房地產開發有限公司); from July 1995 to May 1997, he served as an architectural designer of Shenzhen Nanyou Engineering Design Limited Company; and from August 1990 to March 1992, he served as an architectural designer of Changsha Institute of Architectural Design. Mr. Deng has not held any directorships in any companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Non-executive Directors

Mr. LI Dong Sheng (李東生), aged 61, is a non-executive Director of the Company. He graduated from South China University of Technology in 1982 with a Bachelor's degree in Radio Technology and has more than 19 years of experience in the information technology field. Currently, Mr. Li is the chairman and CEO of TCL Corporation (TCL集團股份有限公司), the Chairman of TCL Multimedia Technology Holdings Limited ("TCL Multimedia") and TCL Communication Technology Holdings Limited ("TCL Communication"), both of TCL Multimedia and TCL Communication are companies listed on the Stock Exchange, all of which produce consumer electronic products. He is also an independent non-executive director of Tencent Holdings Limited, a company listed on the Stock Exchange, and an independent director of Legrand, a company listed on NYSE Euronext.

Mr. Liao Qian (廖騫), aged 38, is currently the secretary of the board of directors and vice chairman of the investment management committee of TCL Corporation ("TCL Corporation"), the shares of which are listed on Shenzhen Stock Exchange. He joined TCL Corporation in March 2014 as the officer of the board of directors and was appointed as the secretary of the board of directors and a member of the executive committee in the same year. Mr. Liao is also the chairman, non-executive director, chairman of the nomination committee and a member of the remuneration committee of China Display Optoelectronics Technology Holdings Limited, the shares of which are listed on Main Board of of the Stock Exchange and chairman and non-executive director of Tonly Electronics Holdings Limited, the shares of which are listed on Main Board of the Stock Exchange. He has served as a director of TCL Communication Technology Holdings Limited (whose shares were listed on the Stock Exchange during the period from 27 September 2004 up to 30 September 2016 and this company is currently a wholly-owned subsidiary of TCL Corporation) since May 2015, director of TCL Financial Holding (Shenzhen) Co. Ltd.* (TCL金融控股(深圳)有限公司) since September 2015, director of TCL Smart Home Technologies Co., Limited in November 2015, director of Highly Information Industry Co. Ltd (a subsidiary of TCL Corporation) and Huizhou Kuyou Network and Technology Co. Ltd.* (惠州酷友網絡科技有限公司) since March 2016, director of Speedex Logistics Co. Ltd. (速必達希傑物流有限公司, a non-wholly owned subsidiary of TCL Corporation) since July 2016, director of Shenzhen Hawk Internet Co. Ltd.* (深圳豪客互聯網有限公司, a non-wholly owned subsidiary of TCL Corporation) and TCL Culture and Media (Shenzhen) Co. Ltd* (TCL文化傳媒(深圳)有限公司), a non-wholly owned subsidiary of TCL Corporation) since August 2016 and independent director of Shenzhen Jiawei Photovoltaic Lighting Co., Ltd. since November 2016.

Mr. Liao graduated from Fuzhou University with a bachelor degree in economics in 2002, and obtained a master degree of laws from Yunnan University in 2006. Mr. Liao also holds a Chinese legal professional qualification certificate. Prior to joining TCL Corporation in 2014, Mr. Liao worked for Guotai Junan Securities Co. Ltd. since 2006 as senior manager and general manager of its financial advisory department and the director of corporate accounts department, responsible for the investment banking business of capital markets between Hong Kong and the People's Republic of China.

Mr. LAM Kam Tong (林錦堂), aged 49, is a non-executive Director of the Company. Mr. Lam joined the Group in May 2012 and was responsible for financial management, investor relations, and financial planning of the Group, as well as the management of the Company's Hong Kong branch. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lam received his Bachelor's degree in Business Administration from the Chinese University of Hong Kong in July 1991. He has over 14 years of experience in professional auditing as well as extensive experience in the areas of investor relations management, auditing, mergers and acquisitions and offshore financing. Before joining the Group, Mr. Lam was an executive director, the chief financial officer and company secretary of China Aoyuan Property Group Ltd. (中國奧園地產股份有限公司), a company listed on the Main Board of the Stock Exchange, for over three years. From May 2006 to October 2008, Mr. Lam was the chief financial officer, company secretary and qualified accountant of Greentown China Holdings Ltd. (綠城中國控股有限公司), another listed company on the Main Board of the Stock Exchange. From November 2010 to March 2014, he was an independent non-executive director of Sheng Yuan Holdings Limited (盛源控股有限公司), a company listed on the Main Board of the Stock Exchange. On December 13, 2017, Mr. Lam has resigned as independent non-executive director of Pegasus Entertainment Holdings Limited (天馬娛樂控股有限公司), a company listed on the Main Board of the Stock Exchange. On July 20, 2018, he has resigned as non-executive director of Colour Life.

Independent Non-executive Directors

Mr. HO Man (何敏), aged 48, is an independent nonexecutive Director of the Company. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company respectively. Mr. Ho has over 19 years of working experience in private equity investment and finance and is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009. Mr. Ho was the nonexecutive director of SCUD Group Limited from December 2006 to October 2009 and Shanghai Tonva Petrochemical Co., Ltd. (currently known as Shanghai Dasheng Agriculture Finance Technology Co., Ltd) from September 2008 to October 2009, both being companies listed on the Main Board of the Stock Exchange. He was the independent director of Shenzhen Forms Syntron Information Co. Ltd, a company listed on the ChiNext of Shenzhen Stock Exchange, from February 2012 to February 2018.

Mr. Ho has been an independent non-executive director of Fu Shou Yuan International Group Limited, since December 2013; an independent non-executive director of China Fire Safety Enterprise Group Limited, since July 2015; an independent nonexecutive director of Infinity Financial Group (Holdings) Limited since November 2016; an independent non-executive director of Midas International Holdings Limited since January 2018; and an independent non-executive director of Wanjia Group Holdings Limited since February 2018, all being companies listed on the Main Board of the Stock Exchange. Mr. Ho has also been a director of Shenzhen Daixiang Space Construction Co., Ltd., a company listed on the National Equities Exchange and Quotations, since September 2015.

Mr. Ho was awarded an EMBA degree from Tsinghua University and a master's degree in finance from the London Business School. He is also a Chartered Financial Analyst and a Certified Public Accountant.

Mr. HUANG Ming (黃明), aged 54, is an independent non-executive Director of the Company. He is the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company respectively. He has been a Professor of Finance at the Johnson Graduate School of Management at Cornell University since July 2005 and Head of School of Finance of Shanghai University of Finance and Economics from 2006 to April 2009. Mr. Huang was an Assistant Professor of Finance at Stanford University, Graduate School of Business from 1998 to 2002. He was also the Associate Dean, visiting Professor of Finance and Professor of Finance at Cheung Kong Graduate School of Business (長江商學院) from 2004 to 2005 and from 2008 to 2010 respectively. Since July 2010, Mr. Huang has been a Professor of Finance at China Europe International Business School (中歐國際工商學院). He graduated from Peking University in 1985 majoring in Physics. Mr. Huang then obtained a PhD in Physics and a PhD in Business from Cornell University and Stanford University respectively. Mr. Huang was the non-executive director of the Annuity Fund Management Board of China National Petroleum Corporation (中國石油天然氣集團年金理事會) and non-executive director of Qihoo 360 Technology Co. Ltd. (奇虎360科技有限公司), a company listed on Shanghai Stock Exchange, and non-executive director of Tebon Securities Co., Ltd. (德邦證券有限公司). Since 2008, Mr. Huang has been an independent director of Yingli Green

Energy Holdings Co., Ltd. (英利綠色能源控股有限公司), a company listed on New York Stock Exchange. He is currently a non-executive director of 360buy Group (京東商城集團) and Guosen Securities Company Limited (國信證券有限公司). He is also an independent non-executive director of WH Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Huang resigned as an independent non-executive director of China Medical System Holdings Limited, a company listed on the Main Board of the Stock Exchange, since December 2017.

Dr. LIAO Jianwen (廖建文), aged 51, is an independent non-executive Director of the Company. He is also a member of each of the Company's audit committee, remuneration committee and nomination committee, respectively. Dr. Liao has extensive business research and teaching experience in the United States, Hong Kong and the People's Republic of China (the "PRC"). He is well known for his cross disciplinary research and consulting in strategy, innovation and entrepreneurship. Dr. Liao gained early entrepreneurial experience in the biotech industry. He has been an associate dean and professor of managerial practice in strategy and innovation at the Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, he was an associate professor at the Stuart School of Business in Illinois Institute of Technology from 2006 to 2012. In 2001, Dr. Liao was also a visiting professor at Hong Kong University of Science and Technology. He received a Doctorate degree in business administration from Southern Illinois University of Carbondale (USA) in August 1996, a master degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988. Dr. Liao served as an independent non-executive director of Qihoo 360 whose shares were traded at New York Stock Exchange and an independent non-executive director of China Mengniu Dairy Company Limited whose share were traded on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Colour Life and 361 Degrees International Limited, the companies are listed on the Main Board of the Stock Exchange, an independent director of China Merchants Shekou Industrial Zone Holdings Co., Ltd, a company listed on the Shenzhen Stock Exchange, and the Chief Strategy Officer JD Group, a company listed on the NASDAQ.

Mr. GUO Shaomu (郭少牧), aged 52, is an independent non-executive Director of the Company. He is also a member of each of the audit committee, remuneration committee and nomination committee, respectively. Mr. Guo is currently vice president of S Fund International. He has over 13 years of experience in investment banking in Hong Kong. From February 2000 to February 2001, Mr. Guo served as an associate director of corporate finance of Salomon Smith Barney, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution efforts of the China team. From March 2001 to September 2005, Mr. Guo served as an associate director of global investment banking of HSBC Investment Banking, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and a director of the real estate team of J.P. Morgan Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was primarily responsible for marketing efforts covering the real estate sector in China. From April 2007 to April 2013, Mr. Guo served as a director and a managing director of the real estate team of Morgan Stanley Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. Since January 2014, Mr. Guo has been an independent non-executive director of Galaxycore Inc., a leading China-based fabless image sensor company targeting the global mobile device and consumer electronics market. Since June 2014, Mr. Guo has been an independent non-executive director of Yida China Holdings Limited (a company listed on the Main Board the Stock Exchange), a real estate developer based in Dalian, China. Mr. Guo received his bachelor's degree in electrical engineering from Zhejiang University in July 1989, a master's degree in computer engineering from the University of Southern California in May 1993 and a master's degree in business administration from the School of Management of Yale University in May 1998.

Ms. WONG Pui-sze, Priscilla, JP (王沛詩), aged 58, is an independent non-executive Director of the Company. She is also a member of each of the Company's audit committee, remuneration committee and nomination committee, respectively. Ms. Wong was appointed a Justice of the Peace in 2005. She is a member of Chinese People's Political Consultative Conference, Shanghai Committee in the PRC. In Hong Kong, Ms. Wong serves as the Chairman the Minimum Wage Commission, the Chairman of Employees Compensation Assistance Fund Board, a member of Court as well as Council of University of Hong Kong, a member of the Hospital Authority Board, a member of Financial Reporting Review Panel. Ms. Wong graduated with a Bachelor of Law (Hons) degree from the University of Hong Kong and a Master of Laws degree from The London School of Economics and Political Science of The University of London. She was called to the Bar in Hong Kong in 1985 and is a practicing barrister in Hong Kong. Ms. Wong is a mediator of Centre for Effective Dispute Resolution and an arbitrator of China International Economic and Trade Arbitration Commission. She is also an advocate and solicitor admitted in Singapore. Ms. Wong has been appointed as an independent non-executive director of Sinopec Kantons Holdings Limited, a company listed on the main board of Hong Kong Exchange and Clearing Limited, since 22 March 2018.

Senior Management's Profile

Mr. JIAN Jianxun (簡堅訓), aged 47, is the deputy chief executive of Fantasia Group (China) Co., Limited, and is responsible for managing the legal department (法律事務部), overseas business department (海外事業部), trading company (貿易公司) and Beiyou Company (北油公司). Mr. Jian joined the Group in March 2014 and served as the general counsel (法務長) of Fantasia Holdings Group (China) Co., Limited from 2014 to 2015. Prior to joining the Group, he was a lawyer of Zhong Yin Law Firm in Beijing (北京中銀律師事務所) from 2013 to 2014 and senior legal specialist (法務高專), deputy manager (副理), manager, assistant manager (協理), deputy general manager (chief compliance officer (合規總監) and general counsel of the Group (集團法務長)) of Polaris Financial Group (寶來金融集團) from 2001 to 2012. Mr. Jian received a PhD in Law from University of International Business and Economics (對外經濟貿易大學) in 2013 and a Master's degree in International Laws (國際法) from Tamkang University (淡江大學) in Taiwan in 1998.

Ms. ZHANG Xiaofang (張曉芳), aged 49, is the deputy chief executive of Fantasia Group (China) Co., Limited, and is responsible for managing the Chief Executive Office (總裁辦) of China Group (中國集團), human resources department, Charity Foundation (公益基金會) and Qiertang Company (七二唐公司). Ms. Zhang joined the Group in December 2016. Prior to joining the Group, she was the deputy chief executive of Qianhai Fosun Ruizhe Asset Management Co., Ltd. (前海複星瑞哲資產管理有限公司) from 2014 to 2016, senior management consultant (高級管理顧問) of Jin Tong Asset Management Company Limited (金通資產管理有限責任公司) from 2013 to 2014; deputy chief executive and acting CEO of Chinalin Securities Co., Ltd. (華林證券有限責任公司) from 2011 to 2013, assistant general manager (administrative planning) of Ping An Life Insurance, Harbin Branch, general manager of human resources centre (staff service) of Ping An Insurance, general manager of human resources department of Ping An Securities from 1999 to 2011, deputy librarian (副館長) of the Heilongjiang University Yichun Campus Library (黑龍江大學分校圖書館) from 1993 to 1999 and staff member of Yichun Municipal Archives Bureau (伊春市檔案局) from 1990 to 1993. Ms. Zhang obtained her Bachelor's degree in Library Science (圖書情報) from Heilongjiang University in 1990.

Mr. ZHOU Jinquan (周錦泉), aged 51, is the chief executive officer of Shenzhen Qianhai Fantasia Financial Community Group Company Limited, a wholly-owned subsidiary of the Company. Mr. Zhou joined the Group in January 2013 and is currently responsible for the business development and management of community finance. Prior to joining the Group, he was the deputy president of China Resources Bank of Zhuhai Head Office (珠海華潤銀行總行) from 2011 to 2013, deputy president of Guangxi Beibu Gulf Bank Head Office (廣西北部灣銀行總行) from 2008 to 2011, assistant to president of Guosen Securities (國信證券) from 2004 to 2008, general manager of International Department of Guoyuan Securities (國元證券國際部) from 2001 to 2004, deputy general manager of International Department, general manager of Business Department and Institution Department of Industrial and Commercial Bank, Shenzhen Branch (工商銀行深圳分行) from 1994 to 2001, staff member of General Office of Guangdong Provincial Government Institute of International

Economic Technology (廣東省政府辦公廳國際經濟技術研究所) from 1992 to 1994 and staff member of Industrial and Commercial Bank, Beijing Branch, Haidian Office (工商銀行北京分行海澱分理處) from 1989 to 1990. Mr. Zhou obtained a Bachelor's degree in International Finance from Renmin University of China in 1989 and a Master's degree in International Finance from Renmin University of China in 1992.

Mr. LIU Zongbao (劉宗保), aged 49, is the president of Shenzhen Fantasia Real Estate Group Company Limited and is also the director of a number of subsidiaries of the Group. Mr. Liu joined the Group in March 2005 and served as the sales director of our Company and deputy general manager and general manager of the Chengdu branch of Fantasia Real Estate Group, and also vice president of Shenzhen Fantasia Real Estate Group Company Limited. Prior to joining our Group, he was deputy general manager of Shenzhen Zhonglian Real Estate Development Co., Ltd. (深圳市中聯房地產企業發展有限公司) from 2004 to 2005 and manager of the sales and marketing department of Shenzhen Xinghe Real Estate Development Co., Ltd. (深圳市星河房地產開發公司) from 2001 to 2003. Mr. Liu received his Bachelor's degree in construction management engineering from Southeast University (東南大學) in 1991. He is now studying an EMBA in China Europe International Business School.

Mr. TANG Xuebin (唐學斌), aged 50, was appointed as a director of Colour Life on 30 October 2012 and was re-designated as an executive director of Colour Life on 11 June 2014. He is also the chief executive officer of Colour Life. He joined the Group in 2002 and is responsible for the operation and management of Colour Life Group. He also serves as the general manager of a number of subsidiaries of Colour Life Group. Mr. Tang has over 20 years of experience in property management. Prior to joining the Group, he worked at China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company which is principally engaged in property management, from 1997 to 2001, where his last position held was deputy general manager and was primarily responsible for the management of its engineering department. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in July 1993, an Executive Master of Business Administration degree ("EMBA degree") from China Europe International Business School (中歐國際工商學院) in September 2010 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in June 2012.

Mr. CHEN Xiangming (陳湘明), aged 48, is the president of Shenzhen Home E&E Commercial Services Group Co. Ltd. (深圳市美易家商務服務集團有限公司). He joined the Group in July 2012 and is responsible for the overall management of Shenzhen Home E&E Commercial Services Group Co. Ltd. Prior to joining the Group, he was the general manager of Shenzhen Baopu Property Service Co., Ltd. (深圳市抱樸物業服務有限公司) from 2011 to 2012, general manager of Shenzhen Terra Property Management Service Co., Ltd. (深圳市泰然物業管理服務有限公司) from 2007 to 2011, general manager of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司) from 2006 to 2007, and vice-general manager of Shenzhen Fantasia Property Management Co., Ltd. (深圳市花樣年物業管理有限公司) from 2002 to 2006. Mr. Chen completed his tertiary education in Safety Engineering from Hunan University Hengyang Campus in 1992.

Ms. LI Chuanyu (李傳玉), aged 49, is a chairman and CEO of the Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. (深圳前海嘉年投資基金管理有限公司), and also the director of a number of subsidiaries of the Group. Ms. Li joined the Group in May 2001. She was the deputy chief executive of Fantasia Group (China) Co., Limited during 2016 to 2017 and was responsible for managing the Foundation Company (基金公司) and the Company's Singapore branch (新加坡公司). She was the deputy chief executive of the Shenzhen Fantasia Real Estate Group Limited from 2011 to 2016, and was responsible for running the management and control center, including the financial management department, fund planning department, cost control department, as well as managing the development center (發展中心) and general contracting company (planning) (總承包公司(籌)) at the same time. From 2001 to 2011, she was the chief financial officer of Shenzhen Fantasia Real Estate Group Limited, as well as chief financial officer and general manager of the financial management department of Fantasia Property Group Limited. Prior to joining the Group, she was the deputy manager of the financial department of Shenzhen Zhujiang Industry Company (深圳珠江實業公司)

from 1996 to 2001. Ms. Li received a Master's degree in international accounting (國際會計) from the City University of Hong Kong in 2006.

Mr. QIU Zhidong (邱志東), aged 51, is the president of Shenzhen Fantasia Business Management Company Limited (深圳花樣年商業管理有限公司). Mr. Qiu joined the Group in June 2013 and is wholly responsible for the daily operation and management of Shenzhen Fantasia Business Management Company Limited. Prior to joining the Group, he was the vice president of Shenzhen Jinguanghua Shiye Group (深圳金光華實業集團) from 2005 to 2013, managing director of Shenzhen Jinguanghua Business Company Limited (深圳市金光華商業有限公司) from 2003 to 2005, general manager of Shenzhen Modern Friendship Co., Ltd (現代友誼股份有限公司)/Shenzhen Friendship Department Store Company Limited (深圳友誼城百貨有限公司) from 1997 to 2003, deputy director of Cadres Division of Organization Department (組織部幹部處) and Managerial Division of Corporate Leading Officers (企業領導人員管理處) of Shenzhen Municipal Committee of CPC (中共深圳市委) from 1992 to 1997, officer of Cadre Department of Organization Department of Chaozhou Municipal Committee of CPC (中共潮州市委組織部幹部科) from 1988 to 1992 and teacher of Chaozhou High School (潮州高級中學) in Guangdong Province in 1988. Mr. Qiu received a Master's degree in Business Administration from Hong Kong Baptist University in 2003 and a Bachelor's degree in Computer Science from Hanshan Normal University (韓山師範學院) in Guangdong Province in 1988.

Mr. WANG Jianning (王建寧), aged 51, is the president of Shenzhen Fantasia Culture and Tourism Management Company Limited (深圳花樣年文旅集團管理有限公司). Mr. Wang joined the Group in March 2017, and is wholly responsible for the daily operation and management of Shenzhen Fantasia Culture and Tourism Management Company Limited. Prior to joining the Group, he was the head of Southern Air News, Party committee secretary and vice minister of political work department in China Southern Air Holding Company, and president, general manager and Party committee secretary of China Southern Air Media during 2003 to 2017 and head of CAAC NEWS, Guangzhou Bureau from 1995 to 2003. Mr. Wang obtained an EMBA degree from the School of Economics and Management in Tsinghua University in 2008 and received a Bachelor degree in Chinese from Nanjing University in 1988.

Board Committees

Audit Committee

Our Company established an audit committee on October 12, 2009 with written terms of reference as amended, in compliance with the Listing Rules and the Board adopted a revised set of terms of reference of the Audit Committee on December 22, 2015. The audit committee is responsible for the engagement of the external auditor, review of the Group's financial information and oversight of the Group's financial reporting system and internal control and risk management procedures and reviewing the Group's financial and accounting policies and practices.

The audit committee comprises five members, namely, Mr. HO Man (何敏), Mr. HUANG Ming (黃明), Dr. Liao Jianwen (廖建文), Ms. Wong Pui-sze, Priscilla, JP (王沛詩) and Mr. Guo Shaomu (郭少牧). They are all independent non-executive directors. The audit committee is chaired by Mr. HO Man (何敏).

Remuneration Committee

Our Company established a remuneration committee on October 12, 2009 with written terms of reference as amended, in compliance with the Listing Rules and the Board adopted a revised set of terms of reference of the remuneration committee on March 12, 2012. The remuneration committee is responsible for making recommendations to the board on the Company's remuneration policy and structure for all directors and senior management and on the establishment of a formal and transparent procedure for developing such policy.

The remuneration committee comprises an executive Director, Mr. Pan Jun, and five members, namely, Mr. HUANG Ming (黃明), Mr. HO Man (何敏), Dr. LIAO Jianwen (廖建文), Ms. WONG Pui-sze, Priscilla, JP (王沛詩) and Mr. GUO Shaomu (郭少牧). The remuneration committee is chaired by Mr. HUANG Ming (黃明).

Nomination Committee

Our Company established a nomination committee on October 12, 2009 with written terms of reference as amended in compliance with the Listing Rules and the Board adopted a revised set of terms of reference of the nomination committee on August 30, 2013. The nomination committee is responsible for reviewing the structure, size and composition of the board, assessing the independence of the independent non-executive directors and making recommendations to the board on the appointment and re-appointment of directors.

The nomination committee comprises seven members, namely, Mr. PAN Jun (潘軍), Mr. HO Man (何敏), Mr. HUANG Ming (黃明), Ms. ZENG Jie, Baby (曾寶寶), Dr. LIAO Jianwen (廖建文), Ms. WONG Pui-sze, Priscilla, JP (王沛詩) and Mr. GUO Shaomu (郭少牧). The nomination committee is chaired by Mr. PAN Jun (潘軍).

Compensation of Directors and Senior Management

The Group's remuneration policies are formulated based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly.

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during each of the three years ended December 31, 2015, 2016 and 2017 to those persons who have been or are our directors, was approximately RMB17.3 million, RMB17.0 million and RMB17.7 million (US$2.7 million), respectively.

Share Option Scheme

We adopted our share option scheme on October 27, 2009 in order to reward eligible participants who contribute to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants include our directors and employees and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who our board of directors considers, in its sole discretion, have contributed or will contribute to the Group. We have granted options to certain of our directors and employees and, as of June 30, 2018, a total of 142,660,000 share options were granted; none of granted options was lapsed and 922,000 share options had been exercised. As of June 30, 2018, the outstanding share options were 84,179,000 in total.

Directors' and Chief Executives' Interests

As of June 30, 2018, the interests and short positions of our directors and chief executives in the shares and underlying shares of the Company, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO") (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Director	Nature of Interests	Number of Shares Held	Interest in Underlying Shares	Approximate Percentage of Shareholding
Ms. Zeng Jie, Baby . .	Interest of controlled corporation	3,313,090,500(1)	–	57.51%
	Beneficial owner	–	9,980,000(2)	0.17%
Mr. Pan Jun	Beneficial owner	–	9,980,000(2)	0.17%
Mr. Lam Kam Tong . .	Beneficial owner	–	2,770,000(2)	0.05%
Mr. Deng Bo	Beneficial owner	–	2,310,000(2)	0.04%
Mr. Ho Man	Beneficial owner	–	1,600,000(2)	0.03%
Mr. Huang Ming	Beneficial owner	–	1,600,000(2)	0.03%

Notes:

(1) Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

(2) The relevant Director was granted options to subscribe for such number of shares of the Company under the share option scheme on August 29, 2011 and October 16, 2012. See "Management – Share Option Scheme."

PRINCIPAL SHAREHOLDERS

As of June 30, 2018, so far as the directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholders	Nature of interest	Number of issued ordinary shares of the Company	Interest in underlying Shares of the Company	Approximate percentage of interest in the Company as of June 30, 2018
Ms. Zeng Jie, Baby . .	Interest of controlled corporation	3,313,090,500(1)		57.51%
	Beneficial owner		9,980,000(2)	0.17%
Fantasy Pearl	Beneficial owner	3,313,090,500		57.51%
Ice Apex	Interest of controlled corporation	3,313,090,500(1)		57.51%
T. C. L. Industries Holdings (H.K.) . . .	Beneficial owner	1,156,995,574(3)		20.08%
Limited. TCL Corporation	Interest of controlled corporation(2)	1,156,995,574(3)		20.08%

Notes:

(1) *Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.*

(2) *The relevant Director was granted options to subscribe for such number of shares of the Company under the share option scheme on August 29, 2011 and October 16, 2012. See "Management – Share Option Scheme."*

(3) *As of June 30, 2017, T.C.L. Industries Holdings (H.K.) Limited held 1,156,995,574 shares of the Company representing 20.08% interest in the Company. T.C.L. Industries Holdings (H.K.) Limited is wholly owned by TCL Corporation. TCL Corporation is deemed to be interested in the shares held by T.C.L. Industries Holdings (H.K.) Limited for the purpose of Part XV of the SFO.*

Except as disclosed above, as of the date of the exchange offer memorandum, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between us or our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

The table below sets forth certain material transactions between us and our related parties during the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018:

			For the year ended December 31,				For the six months ended June 30,		
Related parties	Relationship	Transactions	2015	2016	2017		2017	2018	
			(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Shenzhen Cube 深圳立方	An associate of Shenzhen Tiankuo, a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Reutal income	–	–	964	146	–	–	–
Shenzhen Cube Architecture Designing Consultants Company Limited 深圳立方建築設計顧問有限公司	An associate of Shenzhen Tiankuo Investment Co., Ltd., a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Design services fee paid	1,044	–	1,814	274	–	N/A	N/A
Wanxiangmei 萬象美	Subsidiary of a joint venture of the Company	Consultancy service fee income	–	31,475	92,933	14,044	37,704	N/A	N/A
Shenzhen Wan Xiang 深圳萬象	Joint venture of the Company	Management fee income	–	3,960	7,920	1,197	3,960	N/A	N/A
Shenzhen Color Pay 深圳市彩付寶網絡技術有限公司	A company controlled by Mr. Pan Jun, a director and the chief executive officer of the company	Online promotion service income	–	–	1,424	215	–	25,306	3,824

During the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the Group sold certain properties to its key management personnel at a cash consideration of approximately RMB16.8 million, RMB11.7 million, RMB46.0 million (US$7.0 million) and RMB5.3 million (US$0.8 million), respectively.

During the six months period ended June 30, 2018, certain of our directors provided joint guarantees to the banks and trust company to secure bank and other borrowings of RMB702,000,000 in aggregate.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of June 30, 2018, our total borrowings (excluding the January 2013 Notes, the May 2016 Notes, the October 2016 Notes, the July 2017 Notes, the February 2018 Notes, the March 2018 Notes, the Existing Notes, the 2015 Onshore Bonds, the 2016 Onshore Bonds and the 2017 Onshore Bonds) amounted to RMB15,204.9 million (US$2,297.8 million). Subsequent to June 30, 2018, we also issued the July 2018 Notes on July 16, 2018. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks and financial institutions, including Industrial and Commercial Bank of China, the Agricultural Bank of China, China Everbright Bank, Bank of China, CCB (Asia), China Merchants Bank, Bank of Communications, Oversea-Chinese Banking Corporation Limited, Shanghai Pudong Bank, Shanghai Ruihua Bank, Industrial Bank Ltd, China Guangfa Bank, China Minsheng Bank, China CITIC Bank, Rural Commercial Bank. These loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from one year to eight years, which generally correspond to the construction periods of the particular projects. As of June 30, 2018, the aggregate outstanding amount under these loans totaled approximately RMB14,899.9 million (US$2,251.4 million), of which RMB4,921.8 million (US$743.7 million) was due within one year and RMB9,978.1 million (US$1,507.7 million) was due between one and five years. Our PRC loans are typically secured by land use rights, properties and bank deposits as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2018, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 7.5% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;

- transferring part or all of their liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks and financial institutions in connection with some of the PRC loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Certain of our PRC loans are guaranteed by our executive director and controlling shareholder, Ms. Zeng Jie, Baby and/or our chairman, executive director and chief executive officer, Mr. Pan Jun. Further, as of June 30, 2018, RMB9,701.2 million (US$1,466.2 million) of the PRC loans were secured by land use rights, properties held by the subsidiary borrowers and/or our other PRC subsidiaries.

Dividend Restrictions

Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries also agreed not to distribute any dividend:

- before prior notice has been made to or written approval has been obtained (if the proposed dividend exceeds a certain percentage of such subsidiary's net profit) from the lender; or
- if after-tax net profit is zero or negative or is insufficient to meet cumulative losses in prior years or if pre-tax net profit has not been used to repay principal interest and costs on the relevant loan due in the same year or is insufficient to repay principal, interest and costs on the relevant loan due on the next payment date.

One of such PRC subsidiaries will be designated as an Unrestricted Subsidiary under the Indenture governing the New Notes.

January 2013 Notes

On January 22, 2013, we entered into an indenture (as amended and supplemented from time to time, the "January 2013 Indenture") pursuant to which we issued US$250,000,000 principal amount of the 10.75% Senior Notes due 2020. As of the date of this exchange offer memorandum, the entire principal amount of the January 2013 Notes remained outstanding.

Guarantee

Our obligations under the January 2013 Notes are guaranteed by our existing subsidiaries (the "January 2013 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the January 2013 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a January 2013 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the January 2013 Indenture. Each of the January 2013 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the January 2013 Notes.

Collateral

In order to secure the obligations under the January 2013 Notes, the Company and the January 2013 Subsidiary Guarantors under the January 2013 Indenture pledged the capital stock of all such 2013 Subsidiary Guarantors for the benefit of the holders of the January 2013 Notes (the "January 2013 Notes Collateral"). The January 2013 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the January 2013 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the January 2013 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the January 2013 Indenture. The trustee for the January 2013 Notes acceded to the Intercreditor Agreement, which had provided that the collateral under the January 2013 Notes is to be shared on a *pari passu* basis among the holders of the 2010 Notes, the holders of the 2012 Notes, the holders of the January 2013 Notes and the holders of other permitted *pari passu* indebtedness.

Interest

The January 2013 Notes bear an interest rate of 10.75% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2013 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;

- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The January 2013 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2013 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2013 Indenture. If an event of default occurs and is continuing,

the trustee under the January 2013 Indenture or the holders of at least 25% of the outstanding January 2013 Notes may declare the principal of the January 2013 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding January 2013 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2013 Notes is January 22, 2020.

At any time, we may redeem the January 2013 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2013 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

At any time prior to January 22, 2016, we may redeem up to 35% of the aggregate principal amount of the January 2013 Notes at a redemption price equal to 110.75% of the principal amount of the January 2013 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2013 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the January 2013 Notes at a redemption price equal to 100% of the principal amount of the January 2013 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

May 2016 Notes

On May 4, 2016, we entered into an indenture (as amended and supplemented from time to time, the "May 2016 Indenture") pursuant to which we issued RMB600,000,000 principal amount of the 9.50% Senior Notes due 2019. On August 29, 2016, we issued an additional RMB1.0 billion of the 9.50% Senior Notes due 2019. As of the date of this exchange offer memorandum, the entire principal amount of the May 2016 Notes remained outstanding.

Guarantee

Our obligations under the May 2016 Notes are guaranteed by the Subsidiary Guarantors. Under certain circumstances and subject to certain conditions, a guarantee by a Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the May 2016 Indenture. Each of the Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the May 2016 Notes.

Collateral

In order to secure the obligations under the May 2016 Notes, the Company and the Subsidiary Guarantors under the May 2016 Indenture pledged the capital stock of all such Subsidiary Guarantors for the benefit of the holders of the May 2016 Notes (the "Collateral"). The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the May 2016 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the May 2016 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the May 2016 Indenture. The trustee for the May 2016 Notes acceded to the Intercreditor Agreement, which had provided that the Collateral is to be shared on a *pari passu* basis among the holders of the 2012 Notes, the holders of the January 2013 Notes, the holders of the 2015 Notes, the holders of the May 2016 Notes and the holders of other permitted *pari passu* indebtedness.

Interest

The May 2016 Notes bear an interest rate of 9.50% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the May 2016 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the certain restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;

- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- entering into transactions with shareholders or affiliates; and

- effecting a consolidation or merger.

Events of Default

The May 2016 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the May 2016 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the May 2016 Indenture. If an event of default occurs and is continuing, the trustee under the Indenture May 2016 or the holders of at least 25% of the outstanding May 2016 Notes may declare the principal of the May 2016 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding May 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the May 2016 Notes is the interest payment date on or nearest to May 4, 2019. At any time prior to May 4, 2019, the Company may at its option redeem the May 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to May 4, 2019, the Company may redeem up to 35% of the aggregate principal amount of the May 2016 Notes at a redemption price of 109.5% of the principal amount of the May 2016 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of its capital stock, subject to certain conditions. Subject to certain exceptions, the Company may redeem the May 2016 Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances.

October 2016 Notes

On October 4, 2016, we entered into an indenture (as amended and supplemented from time to time, the "October 2016 Indenture") pursuant to which we issued US$400,000,000 principal amount of the 7.375% Senior Notes due 2021. On December 29, 2016, we issued an additional US$100,000,000 of the 7.375% Senior Notes due 2021. As of the date of this exchange offer memorandum, the entire principal amount of the 2016 Notes remained outstanding.

Guarantee

Our obligations under the October 2016 Notes are guaranteed by the Subsidiary Guarantors. Under certain circumstances and subject to certain conditions, a guarantee by a Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the October 2016 Indenture. Each of the Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the October 2016 Notes.

Collateral

In order to secure the obligations under the October 2016 Notes, the Company and the Subsidiary Guarantors under the October 2016 Indenture pledged the capital stock of all such Subsidiary Guarantors for the benefit of the holders of the October 2016 Notes (the "Collateral"). The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the October 2016 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the October 2016 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the October 2016 Indenture. The trustee for the October 2016 Notes acceded to the Intercreditor Agreement, which had provided that the Collateral is to be shared on a *pari passu* basis among the holders of the 2012 Notes, the holders of the January 2013 Notes, the holders of the 2015 Notes, the holders of the May 2016 Notes, the holders of the October 2016 Notes and the holders of other permitted *pari passu* indebtedness.

Interest

The October 2016 Notes bear an interest rate of 7.375% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the October 2016 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the certain restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;

- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- entering into transactions with shareholders or affiliates; and

- effecting a consolidation or merger.

Events of Default

The October 2016 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the October 2016 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the October 2016 Indenture. If an event of default occurs and is continuing, the trustee under the October 2016 Indenture or the holders of at least 25% of the outstanding October 2016 Notes may declare the principal of the October 2016 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding October 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the October 2016 Notes is the interest payment date on or nearest to October 4, 2021. At any time and from time to time on or after October 4, 2019, the Company may at its option redeem the October 2016 Notes, in whole or in part, at redemption prices set forth in the terms and conditions of the October 2016 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to October 4, 2019, the Company may at its option redeem the October 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to October 4, 2019, the Company may redeem up to 35% of the aggregate principal amount of the October 2016 Notes at a redemption price of 107.375% of the principal amount of the October 2016 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of its capital stock, subject to certain conditions. Subject to certain exceptions, the Company may redeem the October 2016 Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances.

July 2017 Notes

On July 5, 2017, we entered into an indenture (as amended and supplemented from time to time, the "July 2017 Indenture") pursuant to which we issued US$300,000,000 principal amount of the 7.95% Senior Notes due 2022. As of the date of this exchange offer memorandum, the entire principal amount of the July 2017 Notes remained outstanding.

Guarantee

Our obligations under the July 2017 Notes are guaranteed by the Subsidiary Guarantors. Under certain circumstances and subject to certain conditions, a guarantee by a Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2017 Indenture. Each of the Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the July 2017 Notes.

Collateral

In order to secure the obligations under the July 2017 Notes, the Company and the Subsidiary Guarantors under the July 2017 Indenture pledged the capital stock of all such Subsidiary Guarantors for the benefit of the holders of the July 2017 Notes (the "Collateral"). The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the July 2017 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the July 2017 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the July 2017 Indenture. The trustee for the July 2017 Notes acceded to the Intercreditor Agreement, which had provided that the Collateral is to be shared on a pari passu basis among the holders of the January 2013 Notes, the holders of the 2015 Notes, the holders of the May 2016 Notes, the holders of the October 2016 Notes, the holders of the July 2017 Notes and the holders of other permitted pari passu indebtedness.

Interest

The July 2017 Notes bear an interest rate of 7.95% per annum, payable in arrears on January 5, 2017 and July 5 of each year.

Covenants

Subject to certain conditions and exceptions, the July 2017 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the certain restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;

- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2017 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2017 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2017 Indenture. If an event of default occurs and is continuing, the trustee under the July 2017 Indenture or the holders of at least 25% of the outstanding July 2017 Notes may declare the principal of the July 2017 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding July 2017 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity

The maturity date of the July 2017 Notes is the interest payment date on or nearest to July 5, 2022.

At any time and from time to time on or after July 5, 2020, the Company may at its option redeem the July 2017 Notes, in whole or in part, at redemption prices set forth in the terms and conditions of the July 2017 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to July 5, 2020, the Company may at its option redeem the July 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2017 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to July 5, 2020, the Company may redeem up to 35% of the aggregate principal amount of the July 2017 Notes at a redemption price of 107.95% of the principal amount of the July 2017 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of its capital stock, subject to certain conditions. Upon the occurrence of a Change of Control Triggering Event as defined in the terms and conditions of the July 2017 Notes, we must make an offer to repurchase all July 2017 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.

February 2018 Notes

On February 14, 2018, we entered into an indenture (as amended and supplemented from time to time, the "February 2018 Indenture") pursuant to which we issued US$300,000,000 principal amount of the 7.25% Senior Notes due 2019. As of the date of this exchange offer memorandum, the entire principal amount of the February 2018 Notes remained outstanding.

Guarantee

Our obligations under the February 2018 Notes are guaranteed by the Subsidiary Guarantors. Under certain circumstances and subject to certain conditions, a guarantee by a Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the February 2018 Indenture. Each of the Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the February 2018 Notes.

Collateral

In order to secure the obligations under the February 2018 Notes, the Company and the Subsidiary Guarantors under the February 2018 Indenture pledged the capital stock of all such Subsidiary Guarantors for the benefit of the holders of the February 2018 Notes (the "Collateral"). The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the February 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the February 2018 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the February 2018 Indenture. The trustee for the February 2018 Notes acceded to the Intercreditor Agreement, which had provided that the Collateral is to be shared on a pari passu basis among the holders of the January 2013 Notes, the holders of the 2015 Notes, the holders of the May 2016 Notes, the holders of the October 2016 Notes, the holders of the July 2017 Notes, the holders of the February 2018 Notes and the holders of other permitted pari passu indebtedness.

Interest

The February 2018 Notes bear an interest rate of 7.25% per annum, payable in arrears on August 14, 2018 and February 13, 2019.

Covenants

Subject to certain conditions and exceptions, the February 2018 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the certain restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;

- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The February 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the February 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the February 2018 Indenture. If an event of default occurs and is continuing, the trustee under the February 2018 Indenture or the holders of at least 25% of the outstanding February 2018 Notes may declare the principal of the February 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding February 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the February 2018 Notes is the interest payment date on or nearest to February 13, 2019. At any time prior to February 13, 2019, the Company may at its option redeem the February 2018 Notes, in whole but not in part, at redemption prices set forth in the terms and conditions of the February 2018 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

March 2018 Notes

On March 8, 2018, we entered into an indenture (as amended and supplemented from time to time, the "March 2018 Indenture") pursuant to which we issued US$350,000,000 principal amount of the 8.375% Senior Notes due 2021. On March 16, 2018, we issued an additional US$100,000,000 of the 8.375% Senior Notes due 2021. On May 7, we issued an additional US$150,000,000 of the 8.375% Senior Notes due 2021. As of the date of this exchange offer memorandum, the entire principal amount of the March 2018 Notes remained outstanding.

Guarantee

Our obligations under the March 2018 Notes are guaranteed by the Subsidiary Guarantors. Under certain circumstances and subject to certain conditions, a guarantee by a Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the March 2018 Indenture. Each of the Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the March 2018 Notes.

Collateral

In order to secure the obligations under the March 2018 Notes, the Company and the Subsidiary Guarantors under the March 2018 Indenture pledged the capital stock of all such Subsidiary Guarantors for the benefit of the holders of the March 2018 Notes (the "Collateral"). The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the March 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the March 2018 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the March 2018 Indenture. The trustee for the March 2018 Notes acceded to the Intercreditor Agreement, which had provided that the Collateral is to be shared on a pari passu basis among the holders of the 2012 Notes, the holders of the January 2013 Notes, the holders of the 2015 Notes, the holders of the May 2016 Notes, the holders of the October 2016 Notes, the holders of the July 2017 Notes, the holders of the February 2018 Notes and the holders of other permitted pari passu indebtedness.

Interest

The March 2018 Notes bear an interest rate of 8.375% per annum, payable in arrears on September 8, and March 8, each year.

Covenants

Subject to certain conditions and exceptions, the March 2018 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the certain restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The March 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the March 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the March 2018 Indenture. If an event of default occurs and is continuing, the trustee under the March 2018 Indenture or the holders of at least 25% of the outstanding March 2018 Notes may declare the principal of the March 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding March 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity

The maturity date of the March 2018 Notes is the interest payment date on or nearest to March 8, 2021.

At any time prior to the March 8, 2021, we may at our option redeem the March 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the March 2018 Notes plus a 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 8, 2021, we may redeem up to 35% of the March 2018 Notes, at a redemption price of 108.375% of the principal amount of the March 2018 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of capital stock of the Company.

Existing Notes

On June 5, 2018, we entered into an indenture (as amended and supplemented from time to time, the “June 2018 Indenture”) pursuant to which we issued US$100,000,000 principal amount of the 8.5% Senior Notes due 2019. As of the date of this exchange offer memorandum, the entire principal amount of the Existing Notes remained outstanding.

Guarantee

Our obligations under the Existing Notes are guaranteed by the Subsidiary Guarantors. Under certain circumstances and subject to certain conditions, a guarantee by a Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the June 2018 Indenture. Each of the Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the Existing Notes.

Collateral

In order to secure the obligations under the Existing Notes, the Company and the Subsidiary Guarantors under the June 2018 Indenture pledged the capital stock of all such Subsidiary Guarantors for the benefit of the holders of the Existing Notes (the “Collateral”). The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the June 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the Existing Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the June 2018 Indenture. The trustee for the Existing Notes acceded to the Intercreditor Agreement, which had provided that the Collateral is to be shared on a pari passu basis among the holders of the January 2013 Notes, the holders of the May 2016 Notes, the holders of the October 2016 Notes, the holders of the June 2017 Notes, the holders of the February 2018 Notes, the holders of the March 2018 Notes, the holders of the Existing Notes and the holders of other permitted pari passu indebtedness.

Interest

The Existing Notes bear an interest rate of 8.5% per annum, payable in arrears on December 5, 2018 and June 4, 2019.

Covenants

Subject to certain conditions and exceptions, the June 2018 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the certain restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The June 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the Existing Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the June 2018 Indenture. If an event of default occurs and is continuing, the trustee under the June 2018 Indenture or the holders of at least 25% of the outstanding Existing Notes may declare the principal of the Existing Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding Existing Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the Existing Notes is the interest payment date on or nearest to June 4, 2019.

Subject to certain exceptions, the Company may redeem the Existing Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances.

July 2018 Notes

On July 16, 2018, we entered into an indenture (as amended or supplemented from time to time, the "July 2018 Indenture") pursuant to which we issued US$140,000,000 an aggregate principal amount of the 12.0% Senior Notes due 2019. As of the date of this exchange offer memorandum, the entire principal amount of the July 2018 Notes remained outstanding.

Guarantee

The obligations pursuant to the July 2018 Notes are guaranteed the Subsidiary Guarantors. Under certain circumstances and subject to certain conditions, a guarantee by a Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV subsidiary Guarantee in the July 2018 Indenture. Each of the Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the July 2018 Notes.

Collateral

In order to secure the obligations under the July 2018 Notes, the Company and the Subsidiary Guarantors under the July 2018 Indenture pledged the capital stock of all such Subsidiary Guarantors for the benefit of the holders of the July 2018 Notes (the "Collateral"). The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the July 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the July 2018 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the July 2018 Indenture. The trustee for the July 2018 Notes acceded to the Intercreditor Agreement, which had provided that the Collateral is to be shared on a pari passu basis among the holders of the January 2013 Notes, the holders of the May 2016 Notes, the holders of the October 2016 Notes, the holders of the February 2018 Notes, the holders of the March 2018 Notes, the holders of the Existing Notes, the holders of the July 2018 Notes and the holders of other permitted pari passu indebtedness.

Interest

The July 2018 Notes bear an interest rate of 12.0% per annum, payable in arrears on January 16, 2019 and July 15, 2019.

Covenants

Subject to certain conditions and exceptions, the July2018 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the certain restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2018 Indenture. If an event of default occurs and is continuing, the trustee under the July 2018 Indenture or the holders of at least 25% of the outstanding July 2018 Notes may declare the principal of the July 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding July 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2018 Notes is the interest payment date on or nearest to July 15, 2019.

Subject to certain exceptions, the Company may redeem the July 2018 Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances.

Contingent Liabilities

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 RMB8,465.0 million (US$1,279.3 million).

Offshore Facility Agreements

2014 ICBC (US) Loan

In April 2014, Fantasia 373 Hotel (US), LLC, our wholly-owned subsidiary that is not a 2012 Subsidiary Guarantor, a January 2013 Subsidiary Guarantor, a 2015 Subsidiary Guarantor, a May 2016 Subsidiary Guarantor or an October 2016 Subsidiary Guarantor and will not guarantee the New Notes, as borrower, entered into a US$22.2 million loan agreement with Industrial and Commercial Bank of China (USA) NA and Industrial and Commercial Bank of China Limited, New York Branch, as lenders. In connection with the loan agreement, Fantasia Investment Holdings Co., Limited, our wholly owned subsidiary that is a 2012 Subsidiary Guarantor, a January 2013 Subsidiary Guarantor, a 2015 Subsidiary Guarantor, a May 2016 Subsidiary Guarantor or an October 2016 Subsidiary Guarantor and will also guarantee the New Notes, provided a guarantee in favor of the lenders for the entire amount of the loan agreement.

2015 OCBC Loan

In October 2015, the Company, as borrower, entered into an agreement with Oversea-Chinese Banking Corporation Limited ("OCBC"), pursuant to which OCBC made a US$100 million revolving credit loan to the Company to finance the dividend payment of the Company, finance coupon payments due on the senior notes issued by the Group and its administrative expenses. The loan is secured by standby letters of credit provided by banks acceptable to OCBC. The loan is payable on demand, with the final maturity date subject to OCBC's satisfactory periodic credit review or seven business days prior to the expiry date of the standby letter of credit, whichever is earlier. The interest rate is LIBOR plus 2% per annum, payable at the end of each interest period. Each advance shall be repayable on the maturity date of that advance unless OCBC allows for a rollover.

Onshore Bonds

2015 Onshore Bonds

On September 18, 2015, Fantasia Group China issued public domestic corporate bonds in aggregate amount of RMB2 billion with an interest rate of 6.95% to reduce our capital costs and foreign exchange risk, and lay a solid foundation for the expansion of our business scale and sustainable development.

Under the 2015 Onshore Bonds, the Company shall not pay dividends to its shareholders if the Company is or will be unable to pay the principal amount or interest of the 2015 Onshore Bonds when due. As of June 30, 2018, the entire principal amount of the 2015 Onshore Bonds remained outstanding.

2016 Onshore Bonds

In 2016, we issued seven tranches of domestic corporate bonds through our subsidiaries. On January 4, 2016, Fantasia Group China issued public domestic corporate bonds of RMB1.1 billion with an interest rate of 7.29% per annum which will mature on December 31, 2020. On January 29, 2016, Colour Life, a non-wholly owned subsidiary of the Company which is an Unrestricted Subsidiary under our 2012 Notes, January 2013 Notes, 2015 Notes, the May 2016 Notes, the October 2016 Notes and the New Notes, issued non-public domestic corporate bonds of RMB100 million with an interest rate of 6.7% per annum which will mature on January 28, 2019. On May 19, 2016, Fantasia Group China issued non- public domestic corporate bonds of RMB500 million with an interest rate of 7.5% per annum which will mature on May 19, 2019. On July 15, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB331 million with an interest rate of 6.80% per annum which will mature on July 15, 2019. On August 17, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB1.3 billion with an interest rate of 7.20% per annum which will mature on August 17, 2019. On August 23, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB300 million with an interest rate of 7.30% per annum which will mature on August 23, 2019. On September 7, 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB569 million with an interest rate of 6.60% per annum which will mature on September 7, 2019.

As of June 30, 2018, RMB270.0 million of the seven tranches of the 2016 Onshore Bonds remained outstanding.

On August 17, 2016 and August 23, 2016, Fantasia Group China issued further tranches of non-public domestic corporate bonds of RMB1.3 billion and RMB0.3 billion with an interest rate of 7.20% and 7.30% per annum, respectively.

On November 10, 2017, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB150,000,000, which are listed on SZSE. The 2017 Corporate Bonds are unsecured and carry interest at rate of 7.0% per annum, commencing on November 10, 2018. The interest is payable annually. The issue price is 96.3% of the principal amount of the 2017 Onshore Bonds. The effective interest rate is 8.4% per annum.

The 2017 Onshore Bonds will mature on November 10, 2020.

As of June 30, 2018, the entire principal amount of the 2017 Onshore Bonds remained outstanding.

Assets Backed Securities

In August 2016, Shenzhen Colour Life Services Group Co., Limited (深圳市彩生活服務集團有限公司) ("Shenzhen Colour Life"), our non-wholly owned subsidiary and an unrestricted subsidiary under our senior notes, issued assets backed securities ("ABS") under securitization arrangements collateralized by the future cash inflows relating to certain trade receivables for the payments of property management fee. The ABS were issued at a discount of 5% with aggregate nominal value of RMB300,000,000 and with carry interests ranging from 4.5% to 6.1% per annum. The principal and interest are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates range from 6.9% to 8.3% per annum. For certain portion of ABS amounting to RMB135,000,000, at the end of the third year, Shenzhen Colour Life is entitled to adjust the interest rate and the holders of ABS may at their options to sell back the ABS to our Group in whole or in part at face value of their principal amount.

DESCRIPTION OF THE NEW NOTES

For purposes of this "Description of the New Notes," the term "Company" refers only to Fantasia Holdings Group Co., Limited, and any successor obligor on the New Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the New Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as the "JV Subsidiary Guarantor."

The New Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the New Notes, the Intercreditor Agreement (as defined below), the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the New Notes, the Intercreditor Agreement, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference.

Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

Brief Description of the New Notes

The New 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 New Notes;

- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);

- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption "– The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";

- effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the

New Notes will be secured by a pledge of the Collateral as described below under the caption "– Security" and will:

- be entitled to the benefit of a lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with holders of the Existing Pari Passu Secured Indebtedness and holders of the Permitted Pari Passu Secured Indebtedness; and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the New Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The New Notes will mature on the Maturity Date, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The New Notes will bear interest at 12.0% 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 (each an "Interest Payment Date"). Interest on the New Notes will be paid to Holders of record at the close of business on the fifteenth day 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. So long as the New Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the New Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1. Interest on the New Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Optional Redemption" and otherwise provided in the Indenture, the New Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the New Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying and Transfer Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the New Notes shall accrue for the period after such date.

The Indenture allows additional New Notes to be issued from time to time (the "Additional New Notes"), subject to certain limitations described under "– Further Issues." Unless the context requires otherwise, references to the "New Notes" for all purposes of the Indenture and this "Description of the New Notes" include any Additional New Notes that are actually issued.

The New 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 New 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 New Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust administration office of the Paying and Transfer Agent), and the New Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the New Note register maintained by the Note Registrar. Interest payable on the New Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Fantastic Victory Limited, Wisdom Regal Limited, Fantasia Financial Community Group Co., Ltd. (花樣年社區金融集團有限公司), Fantasia Investment Holdings Company Limited, Joytime Investment Limited, Fantasia Financial Community Group (Hong Kong) Co., Limited (花樣年社區金融集團(香港)有限公司) and Hong Kong Huawanli Trading Co., Ltd.. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (collectively the "Initial Other Non-Guarantor Subsidiaries"), the Unrestricted Subsidiaries and the PRC Non-Guarantor Subsidiaries will be a Subsidiary Guarantor on the Original Issue Date.

The Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a Subsidiary and designate such Subsidiary as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, if applicable, the Collateral Agent (as defined below):

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the New Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) a duly executed Security Document that pledges in favor of the Collateral Agent for itself and for the benefit of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of June 30, 2018, the Company and its consolidated subsidiaries had total debt (other than the Existing Pari Passu Secured Indebtedness) and the onshore bonds of approximately RMB15,205 million (US$2,298 million), of which approximately RMB11,141 million (US$1,684 million) was secured.

As of June 30, 2018, the Non-Guarantor Subsidiaries had total debt of approximately RMB14,011.9 million (US$2,117.5 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB6,025.9 million (US$910.7 million) and contingent liabilities of approximately RMB8,465.0 million (US$1,279,3 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

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

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations (if any) of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary (the "New Non-Guarantor Subsidiaries," together with the Initial Other Non-Guarantor Subsidiaries, the "Other Non-Guarantor Subsidiaries"), *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Company.

Each Restricted Subsidiary that guarantees the New Notes after the Original Issue Date other than a JV Subsidiary Guarantee is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor." The Other Non- Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, are referred to herein as the "Non-Guarantor Subsidiaries."

Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC and the Other Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

In addition, subject to the limitations described in "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to the benefit of a security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "– Security" shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with holders of the Existing Pari Passu Secured Indebtedness and holders of the Permitted Pari Passu Secured Indebtedness; and

- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New 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 New 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 New Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its

Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral – The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the New Notes;
- upon satisfaction and discharge as described under "– Satisfaction and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Certain Covenants – Limitation on Asset Sales" and "– Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the New Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non- Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the New Notes), *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) (other than Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Company. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

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

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;

- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, if applicable, the Collateral Agent:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the New Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) a duly executed Security Document that pledges in favor of the Collateral Agent for itself and for the benefit of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

(iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries" except those listed under "– Definitions – Unrestricted Subsidiary." Under the circumstances described below under the caption "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the New Notes.

Security

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of the initial Subsidiary Guarantors (the "Collateral") (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date in order to secure the obligations of the Company and the Subsidiary Guarantors under the Existing Pari Passu Secured Indebtedness, the New Notes and the Subsidiary Guarantees and the Permitted Pari Passu Secured Indebtedness.

The initial Subsidiary Guarantor Pledgors are Fantastic Victory Limited, Wisdom Regal Limited and Fantasia Financial Community Group Co., Ltd. (formerly known as "Fantasia Financial Holdings Group Co., Ltd.").

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the New Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent for itself and for the benefit of the Trustee.

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, (i) the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary

Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor, and (ii) any additional shares of Capital Stock of a Subsidiary Guarantor or JV Subsidiary Guarantor acquired or otherwise received by the Company or such Subsidiary Guarantor, as soon as practicable, to secure the obligations of the Company under the New Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above. The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) by the holders of the New Notes, the holders of the Existing Pari Passu Secured Indebtedness and the holders of the Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the New Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

The value of the Collateral securing the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the New Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional New Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "– Release of Security" and "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral – The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the New Notes and other *pari passu* secured indebtedness."

No appraisals of the Collateral have been prepared in connection with this offering of the New Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the New Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional New Notes) or any Subsidiary Guarantor and any

Pari Passu Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "– Limitation on Indebtedness and Preferred Stock," (2) the holders (or their representative) of such Indebtedness (other than Additional New Notes) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents or (y) no such action is necessary to make such Lien effective. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph and the terms of the Indenture (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the New Notes then outstanding.

Intercreditor Agreement

The Company, the initial Subsidiary Guarantor Pledgors, Citicorp International Limited, as collateral agent (the "Collateral Agent"), Citicorp International Limited, as trustee with respect to the 2010 Notes and Citicorp International Limited, as trustee with respect to the 2012 Notes have entered into an intercreditor agreement (to which Citicorp International Limited, as trustee with respect to the January 2013 Notes acceded on January 22, 2013, as trustee with respect to the May 2013 Notes acceded on May 27, 2013, as trustee with respect to the 2014 Notes acceded on January 23, 2014, as trustee with respect to the 2015 Notes acceded on June 1, 2015, as trustee with respect to the May 2016 Notes acceded on May 4, 2016, as trustee with respect to the October 2016 Notes acceded on October 4, 2016, as trustee with respect to the June 2017 Notes acceded on June 13, 2017, as trustee with respect to the July 2017 Notes acceded on July 5, 2017, as trustee with respect to the February 2018 Notes acceded on February 14, 2018, as trustee with respect to the March 2018 Notes acceded on March 8, 2018, as trustee with respect to the Existing Notes acceded on June 5, 2018 and as trustee with respect to the July 2018 Notes acceded on July 16, 2018; as so amended, supplemented or modified from time to time, the "Intercreditor Agreement") dated as of September 27, 2012. Citicorp International Limited, as trustee with respect to the 2010 Notes, was released as a secured party to the Intercreditor Agreement after the 2010 Notes were repaid in full at maturity on May 12, 2015. Citicorp International Limited, as trustee with respect to the May 2013 Notes, was released as a secured party to the Intercreditor Agreement after the May 2013 Notes matured and were redeemed in full on May 27, 2016. Citicorp International Limited, as trustee with respect to the 2014 Notes, was released as a secured party to the Intercreditor Agreement after the 2014 Notes were redeemed in full on January 23, 2017. Citicorp International Limited, as trustee with respect to the 2012 Notes was released as a secured party to the Intercreditor Agreement after the 2012 Notes matured and were repaid in full on September 27, 2017. Citicorp International Limited, as trustee with respect to the

2015 Notes was released as a secured party to the Intercreditor Agreement after the 2015 Notes matured and were repaid in full on June 1, 2018. Citicorp International Limited, as trustee with respect to the June 2017 Notes was released as a secured party to the Intercreditor Agreement after the June 2017 Notes matured and were repaid in full on June 12, 2018. The Trustee will accede to the Intercreditor Agreement on the Original Issue Date, pursuant to which the Trustee will agree to (1) share equal priority and *pro rata* entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which they will enforce their respective rights with respect to such Collateral and the Indebtedness secured thereby.

In connection with the Incurrence of any future Permitted Pari Passu Secured Indebtedness (other than Additional New Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representatives or agents) will accede to the Intercreditor Agreement to include the holders (or their representatives or agents) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the New Notes, each Holder shall be deemed to have acknowledged and agreed with the terms of, and, as applicable, the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement that may be required under the terms of the Indenture.

Enforcement of Security

The Liens (subject to Permitted Liens) securing the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors have been granted to the Collateral Agent for itself and for the benefit of the Trustee, the respective trustee for each series of the Existing Pari Passu Secured Indebtedness. The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders to exercise remedies under the Security Documents. The Trustee has agreed to act as secured party on behalf of the holders under the applicable Security Documents, to follow, or cause to be followed, the instructions provided to it under the Indenture, the Intercreditor Agreement and the Security Documents and to carry out certain other duties.

The Indenture, the Intercreditor Agreement and/or the Security Documents principally provide that, at any time while the New Notes are outstanding, the Collateral Agent has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Secured Parties Representative to do so if it does not identify a conflict between the Secured Parties' interests or a conflict between instructions (in the event at least two Secured Parties issue instructions), and in the case of conflicting instructions delivered by two or more Secured Parties Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the holders of a majority of the outstanding principal amount of the Indebtedness secured by the Collateral. See "Risk Factors – Risks Relating to the Subsidiary Guarantees and the Collateral – The Intercreditor Agreement may limit the rights of holders of the New Notes to enforce the Collateral."

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

first, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any expenses (including reasonable expenses of its counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Intercreditor Agreement and the Security Documents;

second, to the extent not reimbursed under the above paragraph, to the Trustee, the trustee for each series of the Existing Pari Passu Secured Indebtedness and other Secured Parties Representatives, to the extent necessary to reimburse the foregoing persons ratably for any unpaid fees, costs and expenses (including expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable expenses of counsel) incurred under the Security Documents and the agreement governing the New Notes, the Existing Pari Passu Secured Indebtedness or any Permitted Pari Passu Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the New Notes, the Existing Pari Passu Secured Indebtedness and the agreements governing the New Notes, the Existing Pari Passu Secured Indebtedness or any Permitted Pari Passu Secured Indebtedness, the Intercreditor Agreement, the Security Documents and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the New Notes, the Existing Pari Passu Secured Indebtedness and the agreement governing the New Notes, the Existing Pari Passu Secured Indebtedness or any Permitted Pari Passu Secured Indebtedness, the Intercreditor Agreement and the Security Documents;

third, ratably to each of the trustee for each series of the Existing Pari Passu Secured Indebtedness for the benefit of the holders of such Existing Pari Passu Secured Indebtedness and the Trustee for the benefit of the holders of the New Notes and, to the extent applicable, to other Secured Parties for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the paragraphs above), inclusive of any reasonable fees and expenses of the foregoing persons and the principal, interest and premium thereon and for the benefit of the holders each thereof in accordance with the terms of the New Notes, the Existing Pari Passu Secured Indebtedness or the agreement governing the New Notes, the Existing Pari Passu Secured Indebtedness or any Permitted Pari Passu Secured Indebtedness; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the New Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, "– Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "– Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the New Notes;

- upon satisfaction and discharge as provided below under the caption "– Satisfaction and Discharge;"

- upon certain dispositions of the Collateral in compliance with the covenants under the captions "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "– Limitation on Asset Sales" or in accordance with the provision under the caption "– Consolidation, Merger and Sale of Assets;"

- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;

- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;

- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Subsidiary; or

- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional New Notes having the same terms and conditions as the New Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional New

Notes may be consolidated and form a single class with the previously outstanding New Notes and vote together as one class on all matters with respect to the New Notes; *provided* that the issuance of any such Additional New Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below.

Optional Redemption

At any time prior to Maturity Date, the Company may at its option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to Maturity Date, the Company may redeem up to 35% of the aggregate principal amount of the New 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 112.0% of the principal amount of the New Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the New Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the New Notes are to be redeemed at any time, the Trustee will select New Notes for redemption as follows:

(1) if the New Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the New Notes are listed; or

(2) if the New Notes are not listed on any national securities exchange or if there is no applicable requirement of the principal stock exchange on which the New Notes are listed, in compliance with the requirements of the clearing systems if the New Notes are held through any clearing systems, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate.

A New Note of US$200,000 in principal amount or less shall not be redeemed in part. If any New Note is to be redeemed in part only, the notice of redemption relating to such New Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new New Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original New Note. On and after the redemption date, interest will cease to accrue on New Notes or portions of them called for redemption.

Repurchase of New 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 New 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 New 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 New Notes. In that case, the Company's failure to purchase tendered New Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the New 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 New 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 New 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 New Notes. See "Risk Factors – Risks Relating to the New Notes – We may not be able to repurchase the New 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 New 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 New 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 New Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the New Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "– Consolidation, Merger and Sale of Assets") or an applicable

Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Jurisdiction"), or the jurisdiction through which payments are made, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each New Note, the Subsidiary Guarantees or the JV Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such New Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction or the jurisdiction through which payments are made, other than merely holding such New Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such New 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 New 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 New Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder's or its beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction or the jurisdiction through which payments are made, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such New Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction or the jurisdiction through which payments are made, unless such New Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any other agreement pursuant to the implementation of FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any New Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The New Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective, or in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the New Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the New Notes were then due.

Prior to the giving of any notice of redemption of the New Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any New Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Non-Guarantor Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the New Notes (excluding any Additional New Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any Pari Passu Guarantees;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

(d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the New Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness Incurred and Preferred Stock issued under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (r), (s), (t) or (u) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance or refund the New Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the New Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the New Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the New Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining New Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the New Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the New Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the New Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV

Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries to fluctuations in interest rates, currencies or the price of commodities;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all such Indebtedness permitted by this clause (h) and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clauses (p) and (r) below and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by clauses (s), (t) and (u) below and then outstanding (together with refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any

Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (f) or;

(h) above or clause (n) below or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US$30.0 million (or the Dollar Equivalent thereof);

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;

(p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by an Insurance Company Investor in a Restricted Subsidiary *provided* that on the date of such Incurrence of all such Indebtedness or issuance of all such Preferred Stock and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by this clause (p) and clause (r) below and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by clauses (s), (t) and (u) below and then outstanding (together with refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(q) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$30.0 million (or the Dollar Equivalent thereof);

(r) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clause (p) above and this clause (r) and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by clauses (s), (t) and (u) below and then outstanding (together with refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clause (p) and clause (r) above and clauses (t) and (u) below and then outstanding (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by this clause (s) and then outstanding (together with refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancing thereof but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clauses (p), (r) and (s) above and clause (u) below and then outstanding (together with refinancing thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by this clause (t) and then outstanding (together with refinancing thereof) does not exceed an amount equal to 25.0% of Total Assets;

(u) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties and Guarantees thereof by the Company or any Restricted Subsidiary, *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount of all Indebtedness permitted by clause (h) above and then outstanding (together with refinancing thereof but excluding any Contractor Guarantee Incurred under clause (h)), plus (2) the aggregate principal amount of all Indebtedness and Preferred Stock permitted by clauses (p), (r), (s) and (t) above and then outstanding (together with refinancing thereof, but excluding any Contractor Guarantee or Guarantee to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such principal amount), plus (3) the aggregate amount of all Indebtedness permitted by this clause (u) and then outstanding (together with refinancing thereof) does not exceed an amount equal to 25.0% of Total Assets; and

(v) Indebtedness constituting a Subordinated Shareholder Loan.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than (i) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by any Insurance Company Investor;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the New Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, shall exceed the sum of:

    (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the 2010 Notes were first issued and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

    (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

    (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US$5.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;

(6) dividends paid to any Insurance Company Investor in respect of any Indebtedness outstanding on the Measurement Date or permitted to be Incurred under paragraph (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant or, if Incurred after the Measurement Date but on or before the Original Issue Date, the corresponding provision of the Existing Pari Passu Secured Indebtedness;

(7) cash payment in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this "– Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; *provided further* that the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase made pursuant to this clause (8) does not exceed an amount equal to 3% of Total Assets;

(9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination); or

(10) the payment of any dividend or distribution payable or paid solely in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;

provided that, in the case of clause (2), (3), (4) or (10) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "– Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payment set forth in clauses (5) through (10) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "– Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Limitation on Indebtedness and Preferred Stock" and "– Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(h), 2(p), 2(r), 2(s), 2(t) or 2(u) or permitted under clause (2)(n) of the "– Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the New Notes and, with respect to Indebtedness of the type described in clause (2)(h), 2(p), 2(r), 2(s), 2(t) or 2(u) any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the New Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) for the sale of all of the shares of the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the "– Limitation on Asset Sales" covenant;

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary, *provided* that any remaining Investment in such Person would have been permitted to be made under the "– Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and further *provided* that the Company complies with the "– Limitation on Asset Sales" covenant, *provided further* that,

paragraph (b) of clause (16) of the definition of "Permitted Investment" shall not apply if such Restricted Payment would otherwise have been permitted under clause (16) of such definition; or

(5) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "– Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the New 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 New Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (d), (m)(ii) (other than a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Subsidiary of such PRC Subsidiary) or (r) (in the case of clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of cash deposits or bank accounts to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "– Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the New 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 New 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 New Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption "– Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Colour Life Group entered into in connection with the Colour Life IPO, including but not limited to transactions entered into for purposes of any reorganization in connection with the Colour Life IPO and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Colour Life IPO;

(7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Colour Life Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Colour Life IPO, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the Colour Life IPO and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading;

(8) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with the proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the proposed Restructuring;

(9) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the proposed Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the proposed Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading; and

(10) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (9) of the second paragraph of the covenant entitled "– Limitation on Restricted Payments."

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "– Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this exchange offer memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among the Company and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand, and (iv) at any time when the Company's Common Stock is listed on the Hong Kong Exchanges and Clearing Limited, any transaction between any of the Company or its Restricted Subsidiaries and TCL Corporation or its Subsidiaries; provided that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the New Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under "– Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "– Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption "– Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$15.0 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 New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

   (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Businesses ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase New 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 New Notes and (y) the denominator of which is equal to the outstanding principal amount of the New Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of New Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the New Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "– Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the New Notes, if any, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans, as contemplated under the caption "Use of Proceeds" in this exchange offer memorandum (or, in the case of any Additional New Notes, the offering document relating to the sale of such Additional New Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "– Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "– Limitation on Restricted Payments" (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group upon the designation of the Restructuring Group as Unrestricted Subsidiaries in connection with the proposed Restructuring, *provided* that (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, and (ii) immediately prior to the designation of the Restructuring Group as

Unrestricted Subsidiaries, the Consolidated Assets of the Restructuring Group shall be no more than 5% of the Total Assets of the Company).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "– Limitation on Liens;" (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under "– Security".

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the New 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 New 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.

Provision of Financial Statements and Reports

(1) So long as any of the New Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary

shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the New Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarter periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the New Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any New Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "– Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "– Repurchase of New Notes upon a Change of Control Triggering Event" or "– Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a Lien on the Collateral (subject to any Permitted Liens) in accordance with the covenant described under the caption "– Security;"

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the New 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 New 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) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture, the Intercreditor Agreement and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the New Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the New Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the New 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 New Notes by written notice to the Company and to the Trustee may on behalf of the Holders of New 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 New 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 New Notes or to enforce the performance of any provision of the New Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the New Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding New Notes, instruct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Intercreditor Agreement and the Security Documents and take such further action on behalf of the Holders of the New 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 New Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder of New Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the New Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the New 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 New Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding New Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such New Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the New Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify on or before a date not more than 120 days after the end of each fiscal year that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "– Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the New Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the New Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock;"

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "– Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the New Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the New Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the New Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock;"

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred,

provided that this paragraph shall not apply to any sale or other disposition that complies with the "– Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "– The Subsidiary Guarantees – Release of the Subsidiary Guarantees."

For the avoidance of doubt, for purposes of this covenant "– Consolidation, Merger and Sale of Assets", a sale of shares of Capital Stock of a PRC Non-Guarantor Subsidiary which holds all or substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such PRC Non-Guarantor Subsidiary where such PRC Non- Guarantor Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor, immediately after such sale, owns at least 30.0% of the Voting Stock of such PRC Non-Guarantor Subsidiary shall not constitute a sale of substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the New 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.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the New Notes, as expressly provided for in the Indenture) as to all outstanding New Notes when:

(1) either:

(a) all of the New Notes theretofore authenticated and delivered (except lost, stolen or destroyed New Notes which have been replaced or paid and New Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or

(b) all New Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Issuer has irrevocably deposited or caused to be deposited with the Paying Agent funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the New Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest on the New Notes to the date of deposit together with irrevocable written instructions from the Issuer directing the Trustee or the Paying Agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor has paid all other sums payable under the Indenture;

(3) no Default or Event of Default will have occurred and be continuing on the date of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any instruments to which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is a party or by which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is bound (other than the Indenture, the New Notes or any Security Document).

In addition, the Company must deliver to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendments and Waiver

Amendments without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the New Notes, the Intercreditor Agreement or any Security Document;

(2) provide for the assumption of the Company's or any Subsidiary Guarantor or JV Subsidiary Guarantor's obligations pursuant to or otherwise comply with the provisions described under "– Consolidation, Merger and Sale of Assets;"

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional New Notes in accordance with the limitations set forth in the Indenture;

(6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;

(7) add additional Collateral to secure the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear, Clearstream or any applicable clearing system;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee to supplement or amend the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(11) make any other change that does not materially and adversely affect the rights of any Holder; or

(12) conform the text of the Indenture, the New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) or the Intercreditor Agreement to any provision of this "Description of the New Notes" to the extent that such provision in this "Description of the New Notes" was intended to be a verbatim recitation of a provision of the Indenture, the New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) or the Intercreditor Agreement.

Amendments with Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding New Notes and the Agents may amend or waive future compliance by the Company with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any New Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any New Note;

(3) change the currency of payment of principal of, or premium, if any, or interest on, any New 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 New Note;

(5) reduce the above-stated percentage of outstanding New Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the New Notes;

(7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;

(9) reduce the percentage or aggregate principal amount of outstanding New Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the New Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(13) change the redemption date or the redemption price of the New Notes from that stated under the captions "– Optional Redemption" or "– Redemption for Taxation Reasons;"

(14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the New 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 New Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the New Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture and as Collateral Agent with respect to the Collateral under the Intercreditor Agreement and other Security Documents. Citibank, N.A., London Branch has also been appointed as note registrar (the "Note Registrar") and paying and transfer agent (the "Paying and Transfer Agent" and, together with the Trustee and the Note Registrar, the "Agents") with regard to the New Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

None of the Trustee, the Paying and Transfer Agent, the Note Registrar, or the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the New Notes, for the legality, enforceability, effectiveness or sufficiency of the Intercreditor Agreement or the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so, except as a result of the Agent's own fraud, gross negligence or willful misconduct.

Citicorp International Limited will initially act as Trustee and the Collateral Agent under the Security Documents in respect of the Lien over the Collateral. The Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Trustee and the Collateral Agent may have obligations under the Intercreditor Agreement or the Security Documents that are in conflict with the interests of the Holders and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any). Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any), unless such Holders and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any) have offered to the Trustee and/or the Collateral Agent indemnity and/or security satisfactory to the Trustee and/or the Collateral Agent against any loss, liability or expense.

Citicorp International Limited will initially act as the Collateral Agent under the Security Documents in respect of the security over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents, the Indenture or the Intercreditor Agreement that are in conflict with the interests of the Trustee, the Holders and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any). Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any other Security Document for the benefit of the Holders or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any), unless such Holders and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any) have offered to the Trustee and/or the Collateral Agent indemnity and/or security satisfactory to it against any loss, liability or expense. Furthermore, each Holder, by accepting the New Notes will agree, for the benefit of the Trustee and the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Collateral Agent in respect of such risks.

Book-Entry; Delivery and Form

The New Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "– Individual Definitive New 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 New 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 New 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 New Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The New Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying and transfer agent in U.S. dollars. The principal paying and transfer agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "– Additional Amounts."

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the New 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 New 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 New 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 New 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 New Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the New Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to cease business permanently or does in fact do so, or (3) any of the New 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 note registrar in sufficient quantities and authenticated by the note registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the note registrar, through the relevant clearing system, with written instruction and other information required by the Company and the note registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the New Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail, if intended for the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Company at Block A, Shenzhen Funian Plaza, Intersection of Shihua Road and Zijing Road, Futian Free Trade Zone, Shenzhen 518048, Guangdong Province, China, attention: LAM Kam Tong, Company Secretary, or if intended for the Trustee, at the corporate trust office of the Trustee located at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong; or if intended for the Paying and Transfer Agent or the Note Registrar, addressed to the Paying and Transfer Agent or the Note Registrar, as the case may be, at the office of the Paying and Transfer Agent or the Note Registrar located at 1 North Wall Quay, Dublin 1, Ireland (with a simultaneous copy to the Trustee at the corporate trust office of the Trustee noted above); and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register. Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the New Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to "– Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the New Notes" for which no definition is provided.

"2010 Notes" means the 14% Senior Notes due 2015 of the Company, which have been fully repaid.

"2012 Notes" means the 13.75% Senior Notes due 2017 of the Company, which have been fully repaid.

"2014 Notes" means the 10.625% Senior Notes due 2019 of the Company, which have been fully redeemed.

"2015 Notes" means the 11.50% Senior Notes due 2018 of the Company, which have been fully repaid.

"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 the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to any New Note at any redemption date, the greater of (1) 1.00% of the principal amount of such New Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the New Notes on the Maturity Date, plus (y) all required remaining scheduled interest payments due on such New Note through the Maturity Date (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 New Note on such redemption date.

"Asset Acquisition" means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "– Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "– Consolidation, Merger and Sale of Assets;" and

(7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits or bank accounts of the Company or a Restricted Subsidiary and/or (ii) Guaranteed by a Guarantee, letter of credit or similar instruments from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange currency or remit money onshore or offshore.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the New Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;

(2) the Permitted Holders are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the U.S. Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Company.

For the avoidance of doubt, for purposes of this definition of "– Change of Control", a sale of shares of Capital Stock of a PRC Non-Guarantor Subsidiary to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such PRC Non-Guarantor Subsidiary where such PRC Non-Guarantor Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company, immediately after such sale, owns, directly or indirectly, at least 30.0% of the Voting Stock of such PRC Non-Guarantor Subsidiary shall not constitute a sale of substantially all properties and assets of the Company.

"Change of Control Triggering Event" means the occurrence of a Change of Control.

"Clearstream" means Clearstream Banking S.A.

"Collateral" means all collateral securing, or purported to be securing, directly or indirectly, the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

"Collateral Agent" means Citicorp International Limited, as collateral agent under the Intercreditor Agreement, or its permitted successors or assigns.

"Colour Life Group" means the group of Subsidiaries of the Company which are solely engaged in property management, property services and ancillary property community businesses.

"Colour Life IPO" means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in the Colour Life Group.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and 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 the Maturity Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Maturity Date.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is received by the Trustee, Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), 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/or losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains;

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the New Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the New 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 New 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 New Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "– Limitation on Asset Sales" and "– Repurchase of New Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such New Notes as are required to be repurchased pursuant to the "– Limitation on Asset Sales" and "– Repurchase of New Notes upon a Change of Control Triggering Event" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

"Equity Offering" means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in clause (i), clause (ii), or a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Existing Pari Passu Secured Indebtedness" means the January 2013 Notes, the May 2016 Notes, the October 2016 Notes, the July 2017 Notes, the February 2018 Notes, the March 2018 Notes, the July 2018 Notes and the Existing Notes.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"February 2018 Notes" means the 7.25% Senior Notes due 2019 of the Company.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonably best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a New Note is registered in the New Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or (2) Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Insurance Company Investor" means an Independent Third Party that is an insurance company or a financial institution or an Affiliate thereof that invests in the Capital Stock of a Restricted Subsidiary.

"Intercreditor Agreement" has the meaning set forth under "– Security."

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "–" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody's or both, as the case may be.

"Investment Property" means any property that is owned and held by the Company or any Restricted Subsidiary for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"January 2013 Notes" means the 10.75% Senior Notes due 2020 of the Company.

"June 2017 Notes" means the 5.50% Senior Notes due 2018 of the Company, which have been fully repaid.

“July 2017 Notes” means the 7.95% Senior Notes due 2022 of the Company.

“July 2018 Notes” means the 12% Senior Notes due 2019 of the Company.

“Existing Notes” means the 8.50% Senior Notes due 2019 of the Company.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “– The Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee. “Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiaries” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“March 2018 Notes” means the 8.375% Senior Notes due 2021 of the Company.

“Maturity Date” means the date that is one and a half years after the Original Issue Date.

“May 2013 Notes” means the 7.875% Senior Notes due 2016 of the Company, which matured and have been fully repaid.

“May 2016 Notes” means the 9.50% Senior Notes due 2019 of the Company.

“Measurement Date” means May 12, 2010.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"October 2016 Notes" means the 7.375% Senior Notes due 2021 of the Company.

"Offer to Purchase" means an offer to purchase New Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and Note Registrar and each Holder at its last address appearing in the New Note register stating:

(1) the covenant pursuant to which the offer is being made and that all New 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 New 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 New 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 New Note purchased pursuant to the Offer to Purchase will be required to surrender the New Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the New Note completed, to the Paying and Transfer Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying and Transfer Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of New Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such New Notes purchased; and

(7) that Holders whose New Notes are being purchased only in part will be issued new New Notes equal in principal amount to the unpurchased portion of the New Notes surrendered; *provided* that each New Note purchased and each new New Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis New Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying and Transfer Agent money sufficient to pay the purchase price of all New Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all New Notes or portions thereof so accepted together with an Officers' Certificate specifying the New Notes or portions thereof accepted for payment by the Company. The Paying and Transfer Agent shall promptly mail to the Holders of New Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new New Note equal in principal amount to any unpurchased portion of the New Note surrendered; *provided* that each New Note purchased and each new New Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the U.S. Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase New Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender New Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; provided, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under this

Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"Ordinary Course Operating Lease" means the leases entered into in the ordinary course of its business by Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd. of serviced apartments that have been developed and sold by another Restricted Subsidiary to individual investors for a term of no more than three years, pursuant to which Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd. provides management services for such serviced apartments and retain any rental proceeds from tenants that it finds.

"Original Issue Date" means the date on which the New Notes are originally issued under the Indenture.

"Pari Passu Guarantee" means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional New Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "– Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with the New Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (1) any default in the payment of interest on any New Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the New Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "– Repurchase of New Notes upon a Change of Control Triggering Event," or an Offer to Purchase in the manner described under the caption "– Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"Permitted Businesses" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Pan Jun or Zeng Jie Baby;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "– Limitation on Asset Sales;"

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "– Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;

(16) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person primarily engaged in a Permitted Business; *provided* that:

(a) none of the other holders of Capital Stock of such Person is a Person described in clauses (x) or (y) of the first paragraph of the covenant described under the caption "– Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such holder being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture);

(b) no Default has occurred and is continuing or would occur as a result of such Investment; and

(c) such Investment, together with (x) the aggregate of all other Investments made under this clause (16) since the Original Issue Date, less (y) an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on or repayments of loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of such Person provided under this clause (16) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (i) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (ii) the initial amount of such Investment, or (D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition), not to exceed, in each case, the amount of Investments (other than Permitted investments) made by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (16), will not exceed an aggregate amount equal to 25% of Total Assets;

(17) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Colour Life Group in connection with the Colour Life IPO upon designation of the Subsidiaries in the Colour Life Group as Unrestricted Subsidiaries, *provided* that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Colour Life Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Colour Life IPO, (ii) at the time of such designation, the members of the Colour Life Group remain Subsidiaries of the

Company, and (iii) at the time of such designation, the members of the Colour Life Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed an amount equal to 5% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 5% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture); and *provided further* that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event;

(18) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the proposed Restructuring upon designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, provided that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed an amount equal to 5% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 5% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture); and provided further that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event; and

(19) Guarantees permitted under clause (s) or (t) of the second paragraph of the covenant described under the caption entitled "– Limitation on Indebtedness and Preferred Stock."

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate

legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled "– Limitation on Indebtedness and Preferred Stock"; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "– Security – Permitted Pari Passu Secured Indebtedness";

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock";

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of an Insurance Company Investor to secure Indebtedness Incurred under clause (2)(p) of the "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant;

(23) Liens Incurred on deposits made or bank account to secure Bank Deposit Secured Indebtedness of the type described under paragraph (r) of the second paragraph of the "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant;

(24) Liens on deposits to secure Entrusted Loans;

(25) Liens securing Indebtedness permitted to be Incurred under clause (2)(q) of the covenant entitled "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant;

(26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause 2(o) of the "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant;

(27) Liens securing Indebtedness Incurred under clause (2)(s) of the "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant;

(28) Liens securing Indebtedness Incurred under clause (2)(t) of the "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant;

(29) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary Incurred under clause 2(u) of the "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant; and

(30) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant;

provided that, with respect to the Collateral, "Permitted Liens" shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition.

"Permitted Pari Passu Secured Indebtedness" has the meaning set forth under "– Security – Permitted Pari Passu Secured Indebtedness."

"Permitted Subsidiary Indebtedness" means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(a), (b), (d), (f) and (g) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 20.0% 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 which, for the purposes of the Indenture, excludes Hong Kong, Macau and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino- foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently promulgated on September 3, 2016 and effective on October 1, 2016) 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 most recently amended on March 1, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations), as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the New Notes) to institutional investors.

"Qualified Exchange" means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market or Singapore Exchange Securities Trading Limited or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

"Qualified IPO" means an initial public offering, and a listing, of ordinary shares of a company on a Qualified Exchange; *provided* that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

"Rating Agencies" means (1) S&P and (2) Moody's and (3) if S&P or Moody's or both shall not make a rating of the New Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody's or both, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the New Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "–" for S&P; "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “B-” to “B+”, will constitute a decrease of one gradation).

“Rating Date” means in connection with actions contemplated under the caption “–Consolidation, Merger and Sale of Assets”, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means in connection with actions contemplated under the caption “–Consolidation, Merger and Sale of Assets”, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the New Notes are rated by both Moody’s and S&P on the Rating Date as Investment Grade, the rating of the New Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the New Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the New Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the New Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the New Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5: 00 p.m. on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in the Restructuring Group.

“Restructuring Group” means the group of Subsidiaries of the Company which are solely engaged in businesses related, ancillary or complementary to property development business including, as of the Original Issue Date, commercial property management, hotel management, financial leasing, community P2P financial business, retirement life services and educational consultancy business.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person. Notwithstanding the foregoing, "Sale and Leaseback Transaction" shall not include the sale or transfer of real property to another Person that is leased by the Company or any Restricted Subsidiary pursuant to an Ordinary Course Operating Lease.

"Secured Parties" means, collectively, (i) the trustee for each series of the Existing Pari Passu Secured Indebtedness (for itself and for the benefit of the holders of such series of the Existing Pari Passu Secured Indebtedness); (ii) the Trustee (for itself and for the benefit of the holders of the New Notes); and (iii) (x) the holder of any Permitted Pari Passu Secured Indebtedness (if there is only one creditor with respect to any series of Permitted Pari Passu Secured Indebtedness) or (y) the representative or agent of the holders of any Permitted Pari Passu Secured Indebtedness (if there is more than one such creditor), in each case that has become a party to the Intercreditor Agreement on behalf of itself, or as the case may be, holder(s) of Permitted Pari Passu Secured Indebtedness.

"Secured Parties Representatives" means, collectively, the Trustee, the trustee for each series of the Existing Pari Passu Secured Indebtedness and the holders (or their representatives or agents) of any Permitted Pari Passu Secured Indebtedness, in each case that are parties to the Intercreditor Agreement or other similar agreements pursuant to the terms of the Indenture, if any.

"Security Documents" means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee and/or any Holders in any or all of the Collateral.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the New Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Significant Restricted Subsidiary" means a Restricted Subsidiary, or group of Restricted Subsidiaries, that would, when taken together, be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the New Notes and (iii) does not provide any cash payment of interest.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of "Designation of Restricted and Unrestricted Subsidiaries" covenant.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the New 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 New Notes pursuant to the Indenture and the New Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the New 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 New 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 New 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 United Kingdom, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United

States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least "A" by S&P or Moody's;

(2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area, the United Kingdom or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong, Singapore or anywhere the Company or any Restricted Subsidiary conducts business operations; and

(8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong, Singapore or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary. On the Original Issue Date, the Unrestricted Subsidiaries include Cai Hua Holdings Limited (彩華控股有限公司), Twinkle Electronic Company Limited (天歌電子有限公司), Shenzhen Anbo Electronics Company Limited (深圳安博電子有限公司), Trade Dragon Holdings Limited (勝圖控股有限公司), Jurong Duocai Agriculture Ecological Park Development Company Limited (句容多彩農業生態園發展有限公司), Fantasia Commercial Management Holdings Group Co., Limited (花樣年商業管理控股集團有限公司), Well Achieve Enterprises Limited (偉達企業有限公司), Rosy Advance Holdings Limited (世鑫控股有限公司), Shenzhen Meilang Commercial Management Company Limited (深圳美朗商業管理有限公司), Shenzhen Huawannian Commercial Management Company Limited (深圳市花萬年商業管理有限公司), Fantasia Cultural Tourism Management Holdings Group Co., Limited (花樣年文化旅遊管理控股集團有限公司), Fantasia Cultural Tourism Management Group Co., Limited (花樣年文化旅遊管理集團有限公司), Fantasia Cultural Tourism Management (HK) Group Co., Limited (花樣年文化旅遊管理集團(香港)有限公司), Fantasia Culture Tourism Management Group (USA) Corporation (花樣年文化旅遊管理集團(美國)公司), GOWO Holdings Limited (高和控股有限公司), Shenzhen Fantasia Cultural and Tourism Management Company Limited (深圳市花樣年文化旅遊管理有限公司), Hong Kong FuNian Jet Aviation Limited (香港福年航空有限公司), Shenzhen Qiertang Club Management Company Limited (深圳市七二唐俱樂部管理有限公司), Shenzhen Fantasia Tourism Area Management Company Limited (深圳市花樣年旅遊景區管理有限公司), Shenzhen Fantasia Dining Planning Management Company Limited (深圳市花樣年餐飲策劃管理有限公司), Chengdu Fantasia Wangcong Cultural Development Company Limited (成都花樣年望叢文化發展有限公司), Shenzhen Fantasia Engineering Consulting Company Limited (深圳市花樣年工程建設諮詢有限公司), Shenzhen Yizhinian Cultural Development Company Limited (深圳市藝之年文化藝術發展有限公司), Fantasia Senior Housing Management Holdings Group Co., Limited (花樣年養生養老管理控股集團有限公司), Fantasia Senior Housing Management Group Co., Limited (花樣年養生養老管理集團有限公司), Fantasia Senior Housing Management (HK) Group Co., Ltd (花樣年養生養老管理集團(香港)有限公司), Shenzhen Fantasia Health Endowment Management Company Limited (深圳市花樣年養生養老管理有限公司), Shenzhen Futainian Investment Management Company Limited (深圳市福泰年投資管理有限公司), Chengdu Futainian Enterprise Management Company Limited (成都市福泰年企業管理有限公司), Chengdu Fulin Senior Housing Services Company Limited (成都市福鄰養老服務有限公司), Chengdu Wuhou Fulin Chinese Medicine Clinic Company Limited (成都武侯福鄰中醫診所有限公司), Fantasia Hotel Management Holdings Group Co., Limited (花樣年酒店管理控股集團有限公司), Fantasia Hotel Management Group Co., Limited (花樣年酒店管理控股集團有限公司), Fantasia Hotel Management Group (HK) Co., Limited (花樣年酒店管理集團(香港)有限公司), Shenzhen Huawanli Hotel Management Company Limited (深圳市花萬裡酒店管理有限公司), Shenzhen Fantasia Hotel Management Company Limited (深圳市花樣年酒店管理有限公司), Chengdu Fantasia

Quyuan Hotel Management Company Limited (成都花樣年趣園酒店管理有限公司), Yixing Town on Water Hotel Management Company Limited (宜興市雲海間酒店管理有限公司), Pujiang Grande Valley Hotel Management Company Limited (蒲江縣大溪穀酒店管理有限公司), Fantasia (Taiwan) Development Co., Ltd. (台灣花樣年開發股份有限公司), Treasure Isle Holdings Limited (寶島控股有限公司), Joint Gift Limited (匯禮有限公司), Hiat Investment Limited (海逸投資有限公司), Fantasia Property Management (International) Company Limited (花樣年物業管理(國際)有限公司), Prominent Sing Limited (萃聲有限公司), Tokyo Fantasia Investment Co., Ltd. (東京花樣年投資株式會社), An Chuang Group Limited (安創集團有限公司), Advance Era Holdings Limited (晉泰控股有限公司), Bliss Virtue Limited (德祐有限公司), Immense Wealth Holdings Limited (廣鑫控股有限公司), Fantasia Investment (Singapore) Pte Ltd., Zhao Xing Holdings Limited, Ace Link Pacific Ltd. Colour Life Service Group (HK) Co., Limited (彩生活服務集團(香港)有限公司), Yahao Technology Development (Shenzhen) Company Limited (雅浩科技發展(深圳)有限公司), Colour Life Services Group Co., Ltd., Tong Yuan Holdings Limited (通源控股有限公司), Novel Era Holdings Limited (通天控股有限公司), Century Property Management Limited (世紀物業管理有限公司), Steadlink Asset Management Pte Ltd., Shenzhen Colour Life Community Technology Services Company Limited (深圳市彩生活社區科技服務有限公司), Shenzhen Colour Life Services Group Co., Limited (深圳市彩生活服務集團有限公司), Shenzhen Gaorunda Equity Investment Company Limited (深圳市高潤達股權投資有限公司), Shenzhen Qianhai Shengfengtongda Equity Investment Company Limited (深圳市前海盛峰通達股權投資有限公司), Yulin Rongxin Property Management Company Limited (榆林市榮鑫物業管理有限公司), Yichang Kunda Property Management Company Limited (宜昌坤達物業有限公司), Nanjing Anju Property Management Company Limited (南京安居物業有限公司), Nanjing Mingcheng Property Management Company Limited (南京名城物業管理有限公司), Hangzhou Gaosheng Property Management Company Limited (杭州高盛物業管理有限公司), Heyuan Colour Life Property Management Company Limited (河源市華達物業管理有限公司), Shenzhen Xingyanhang Property Company Limited (深圳市星彥行置業有限公司), Tieling Zhengnan Property Management Company Limited (鐵嶺正南物業管理有限公司), Shenzhen Colour Life Property Management Company Limited (深圳市彩生活物業管理有限公司), Huizhou Youlin Property Management Company Limited (惠州市友鄰物業管理有限公司), Shenzhen Colour Life Network Services Company Limited (深圳市彩生活網絡服務有限公司), Jiangsu Colour Life Residential Technology Company Limited (江蘇彩生活住宅科技有限公司), Henan Qicai Internet Technology Company Limited (河南啟彩網絡科技有限公司), Shenzhen Caizhiyun Network Technology Company Limited (深圳市彩之雲網絡科技有限公司), Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited (深圳市開元同濟樓宇科技有限公司), Shenzhen Ancaihua Energy Investment Company Limited (深圳市安彩華能源投資有限公司), Nanchang Juan Property Management Company Limited (南昌居安物業管理有限公司), Henan Ruixiang Property Management Company Limited (河南瑞祥物業管理有限公司), Changsha Xiangwang Property Management Company Limited (長沙祥旺物業管理有限公司), Xiangyang Jiangshanxinyuan Property Services Company Limited (襄陽江山新苑物業服務有限責任公司), Shenyang Tianshenghepan Property Management Company Limited (瀋陽天盛河畔物業管理有限公司), Yangzhou Everlasting Property Services Development Company Limited (揚州市恒久物業服務發展有限公司), Henan Huajing Property Services Company Limited (河南華璟物業服務有限公司), Hubei Fenglin Property Services Company Limited (湖北楓林物業服務有限公司), Shanghai Yinshun Property Management Company Limited (上海銀順物業管理有限公司), Shaanxi Liantang Property Services Company Limited (陝西蓮塘物業服務有限公司), Qinhuangdao Hongtianyuan Property Services Company Limited (秦皇島市宏添源物業服務有限公司), Shaanxi Colour Life Property Management Company Limited (陝西彩生活社區服務有限公司), Yinchuan Dushijia Property Services Company Limited (銀川都市佳物業服務有限公司), Shaanxi Caiyifei Property Management Company Limited (陝西彩逸飛物業管理有限公司), Nanjing Huitao Property Management Services Company Limited (南京慧韜物業服務有限公司), Shanghai Xinzhou Property Management Company Limited (上海欣周物業管理有限公司), Shanghai Xinzhou Yipu Property Management Company Limited (上海欣周逸浦物業管理有限公司), Nanjing Jinjiang Property Management Company Limited (南京錦江物業管理有限公司), Wuxi Taihu Garden Property Management Company Limited (無錫市太湖花園物業管理有限責任公司), Wuxi Mingzhu

Horticulture Company Limited (無錫市明珠園藝有限責任公司), Jiujiang Tianhong Property Services Company Limited (九江天宏物業服務有限公司), Harbin Colour Steward Property Management Company Limited (哈爾濱彩管家物業管理有限公司), Jiangsu Chengzhi Property Services Company Limited (江蘇城置物業服務有限公司), Xuzhou Hubin Garden Property Management Company Limited (徐州市濱湖花園物業管理有限公司), Changzhou Jiangnanzhongxin Property Services Company Limited (常州江南中鑫物業服務有限公司), Tieling Shijizhongtian Property Management Company Limited (鐵嶺世紀中天物業管理有限公司), Foshan Colour Life Property Management Company Limited (佛山彩生活物業管理有限公司), Shenzhen Kaiyuan International Property Management Company Limited (深圳市開元國際物業管理有限公司), Colour Cloud Holdings Group Co., Limited (彩之雲控股集團有限公司), Colour Cloud Group Co., Limited (彩之雲集團有限公司), Colour Cloud Group (HK) Co., Limited (彩之雲集團(香港)有限公司), Shenzhen Qianhai Colour Cloud Network Technology Company Limited (深圳市前海彩之雲網絡科技有限公司), Colour Pay Group (HK) Co., Limited (彩付寶集團(香港)有限公司), Shenzhen Qianhai Colour Pay Network Technology Company Limited (深圳市前海彩付寶網絡技術有限公司), Colour Pay Treasure Holdings Group Co., Limited (彩付寶控股集團有限公司), Colour Pay Group Co., Limited (彩付寶集團有限公司), Shaanxi Xinchang Property Management Company Limited (陝西鑫昌物業管理有限公司), Nanchang Happiness Property Management Company Limited (南昌幸福物業管理有限公司), Ganzhou Jintong Property Management Company Limited (贛州錦通物業管理有限公司), Guangxi Nanning Hanxin Property Services Company Limited (廣西南寧瀚新物業服務有限公司), Guilin Renhe Property Services Company Limited (桂林市仁和物業服務有限公司), Xiamen Chuangyou Property Management Company Limited (廈門市創優物業管理有限公司), Suzhou Yiya Property Management Company Limited (蘇州易亞物業管理有限公司), Fuzhou Hongde Property Company Limited (撫州鴻德物業有限公司), Suzhou Yuehuazhihe Property Services Company Limited (蘇州悅華置合物業管理有限公司), Ningxia Tianyuziyue Property Services Company Limited (寧夏天雨子越物業服務管理有限公司), Qingyuan Steward Property Management Company Limited (清遠市大管家物業管理有限公司), Changsha Gaosheng Property Management Company Limited (長沙高盛物業管理有限公司), Nanchang Mingtai Property Management Company Limited (南昌名泰物業管理有限公司), Huludao Wansha Property Management Company Limited (葫蘆島市萬廈物業管理有限公司), Sichuan Shufeng Property Services Company Limited (四川蜀峰物業服務有限公司), Hangzhou Lixuan Property Management Company Limited (杭州利軒物業管理有限公司), Yangzhou Xingda Property Services Company Limited (揚州市興達物業服務有限責任公司), Guangxi Fulai Property Services Company Limited (廣西福來物業服務有限責任公司), Jingzhou Chuyang Property Management Company Limited (荊州市楚陽物業管理有限公司), Shanghai Tongyi Property Company Limited (上海通翼物業有限公司), Chengdu Heli Property Services Company Limited (成都合力物業服務有限公司), Chengdu Zhongxinyinglianhua Property Management Consultancy Company Limited (成都忠信英聯華物業管理顧問有限公司), Henan Liansheng Property Services Company Limited (河南聯盛物業管理有限公司), Guizhou Huhao Colour Life Property Management Company Limited (貴州互豪彩生活物業管理有限公司), Wuxi Shengtai Property Management Company Limited (無錫市盛泰物業管理有限公司), Shanghai Xinguisheng Property Management Company Limited (上海新貴盛物業管理有限公司), Qingyuan Jinli Property Management Company Limited (清遠金力物業管理有限公司), Wuhan Kailefengyin Property Management Company Limited (武漢凱樂豐垠物業管理有限公司), Chongqing Yucai Property Management Company Limited (重慶渝彩物業管理有限公司), Suzhou Wanbao Property Management Company Limited (蘇州萬寶物業管理有限公司), Shenzhen Qicai Growth Training Consultancy Company Limited (深圳市七彩成長培訓諮詢有限公司) and Xian Rongxin Property Management Company Limited (西安榮鑫物業管理有限公司).

"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 New Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of New Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this exchange offer 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 New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the New Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal or premium on the New Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the New Notes, as the case may be, nor will gains derived from the disposal of the New Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but is otherwise not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the New Notes. An instrument of transfer in respect of a New Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from October 30, 2007.

Hong Kong

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the New Notes) or interest in respect of the New Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the New Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the New Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the New Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside Hong Kong) of a New Note.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of New Notes is based upon applicable laws, rules and regulations in effect as of the date of this exchange offer 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 New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. PRC income tax at the rate of 10% (or lower treaty rate, if any) is withheld from interest payable to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the New Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a "non-resident enterprise" derived from sources within the PRC. As advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by non-resident holders of the New Notes may be treated as income derived from sources within the PRC and may be subject to PRC tax (which in the case of interest may be withheld at source) at the rate of 10% where the holder is an enterprise pursuant to the EIT Law, or at the rate of 20% where the holder is an individual pursuant to PRC individual income tax laws. See "Risk Factors – Risks Relating to Our Business – We may be deemed a PRC resident under the EIT Law and be subject to PRC taxation on our worldwide income" and "– Risks Relating to the New Notes – Interest payable by us to our foreign investors and gain on sale of our New Notes may be subject to withholding taxes under PRC tax laws."

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside the PRC) of a New Note.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the New Notes.

The New Notes are subject to restrictions on transfer as summarized below. By purchasing the New Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us:

1. You understand and acknowledge that:

   - the New Notes have not been registered under the U.S. Securities Act or any other applicable securities laws;

   - the New Notes are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and

   - the New Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

2. You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, and you are purchasing the New Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

3. You acknowledge that neither we nor any person representing us has made any representation to you with respect to us or the offering of the New Notes, other than the information contained in this exchange offer memorandum. You represent that you are relying only on this exchange offer memorandum in making your investment decision with respect to the New Notes. You agree that you have had access to such financial and other information concerning us and the New Notes as you have deemed necessary in connection with your decision to purchase the New Notes including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the New Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the New Notes in violation of the U.S. Securities Act.

5. You acknowledge that we, the Dealer Manager 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 New Notes is no longer accurate, you will promptly notify us. If you are purchasing any New Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

6. You also acknowledge that this exchange offer memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, you have represented, warranted and agreed that you have not offered or sold any New Notes or caused the New Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any New Notes or cause the New 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 exchange offer memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New 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.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and as to matters of British Virgin Islands law.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of and for the three years ended December 31, 2015, 2016 and 2017 included in this exchange offer memorandum have been audited by Deloitte Touche Tohmatsu, certified public accountants, as stated in their reports appearing herein. The summary consolidated income statement and other financial data for the six months ended June 30, 2017 and 2018 and the summary consolidated balance sheet data as of June 30, 2018 set forth below (except for EBITDA data) have been derived from our unaudited interim condensed consolidated financial information for such period and as of such date, as reviewed by Deloitte 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.

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 New Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated December 7, 2018.

Litigation

Except as disclosed in this exchange offer 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 the Exchange Offer or the issue of the New Notes.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2018 that is material in the context of the Exchange Offer or the issue of the New Notes.

Documents Available

For so long as any of the New Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying and transfer agents.

For so long as any of the New Notes is outstanding, copies of the accountants' reports and/or our published financial statements, if any, including the accountants' report set out in the section entitled "Index to Consolidated Financial Statements" in this exchange offer memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying and transfer agents.

Clearing Systems and Settlement

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.

Only New Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the New Notes

Application will be made to the SGX-ST for the listing and quotation of the New 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 New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New 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 New 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 New 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 individual definitive 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.

INDEX TO FINANCIAL STATEMENTS

Notes:

(1) The audited consolidated financial statements set out herein has been reproduced from the Company's annual report for the year ended December 31, 2017 and page references are to pages set forth in such report.

(2) The attached unaudited interim condensed consolidated financial information as of reviewed for the six months ended June 30, 2017 is a reproduction of the Company's interim report for the six months ended June 30, 2017 and pages references to pages set forth in such interim report.

(3) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended December 31, 2016 and page references are to pages set forth in such report.

(4) The audited consolidated financial statements set out herein has been reproduced from the Company's annual report for the year ended December 31, 2015 and page references are to pages set forth in such report.

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 107, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2018

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue			
Goods and services	3	5,069,750	3,520,314
Rental		125,761	116,945
Total revenue	4	5,195,511	3,637,259
Cost of sales and services		(3,877,542)	(2,527,895)
Gross profit		1,317,969	1,109,364
Other income		75,295	49,537
Other gains and losses		(257,804)	152,420
Impairment loss, net of reversal		(35,037)	(16,561)
Change in fair value of investment properties	10	195,009	407,411
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		236,744	122,567
Selling and distribution expenses		(157,181)	(113,075)
Administrative expenses		(689,868)	(573,692)
Finance costs		(814,317)	(609,782)
Share of results of associates		16,866	21,071
Share of results of joint ventures		(21,741)	29,716
Gains on disposal of subsidiaries	21	766,779	98,820
Profit before tax		632,714	677,796
Income tax expense	5	(452,803)	(521,392)
Profit for the period	6	179,911	156,404
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations		(238)	(7,372)
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		11,742	–
Deferred taxation effect		(2,876)	1,843
Other comprehensive income (expense) for the period, net of income tax		8,628	(5,529)
Total comprehensive income for the period		188,539	150,875
Profit for the period attributable to:			
Owners of the Company		102,841	81,270
Other non-controlling interests		77,070	75,134
		179,911	156,404
Total comprehensive income for the period attributable to:			
Owners of the Company		111,541	77,962
Other non-controlling interests		76,998	72,913
		188,539	150,875
Earnings per share (RMB cents)			
– Basic	8	1.78	1.41
– Diluted	8	1.77	1.40

	NOTES	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,684,319	2,611,084
Investment properties	10	10,777,165	10,194,164
Interests in associates		1,309,435	1,174,908
Interests in joint ventures		673,621	1,060,057
Available-for-sale investments		–	117,663
Equity instruments designated at FVTOCI		150,635	–
Goodwill		2,303,370	2,299,758
Intangible assets		1,249,588	1,319,901
Prepaid lease payments		340,119	754,720
Premium on prepaid lease payments		1,259,376	1,268,992
Other receivables	12	157,040	167,624
Deposits paid for potential acquisition of subsidiaries		1,108,541	799,606
Deposit paid for acquisition of a property project		159,214	159,214
Deposits paid for acquisition of land use rights		342,887	118,103
Deferred tax assets		504,438	461,990
		23,019,748	22,507,784
CURRENT ASSETS			
Properties for sale		28,547,372	23,777,966
Inventories		330,542	194,655
Prepaid lease payments		12,455	18,228
Premium on prepaid lease payments		19,233	19,233
Contract assets	11	142,011	–
Contract costs		181,256	–
Trade and other receivables	12	4,976,379	4,129,404
Amounts due from customers for contract works		–	104,079
Tax recoverable		101,435	85,990
Amounts due from non-controlling shareholders of the subsidiaries of the Company	27	586,376	1,052,812
Amounts due from joint ventures	27	72,059	362,935
Amounts due from associates	27	18,284	27,567
Financial assets at fair value through profit or loss ("FVTPL")	14	113,644	234,460
Restricted/pledged bank deposits		1,826,400	2,106,552
Bank balances and cash		20,783,247	14,335,075
		57,710,693	46,448,956

At 30 June 2018

	NOTES	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	15	8,725,138	9,282,468
Deposits received for sale of properties		–	5,503,060
Amounts due to customers for contract works		–	13,778
Contract liabilities		10,017,226	–
Amounts due to joint ventures	27	274,184	10,000
Amount due to a related party	27	217,952	–
Amounts due to associates	27	3,267	13,513
Tax liabilities		4,171,313	4,431,080
Borrowings due within one year	16	5,538,267	3,022,026
Obligations under finance leases		52,244	51,693
Senior notes and bonds	17	4,421,452	4,484,610
Assets backed securities issued	18	50,028	42,533
Defined benefit obligations		182	220
Provisions		35,139	40,131
		33,506,392	26,895,112
NET CURRENT ASSETS		24,204,301	19,553,844
TOTAL ASSETS LESS CURRENT LIABILITIES		47,224,049	42,061,628
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,934,028	1,754,528
Borrowings due after one year	16	9,666,666	6,841,619
Obligations under finance leases		276,485	259,299
Senior notes and bonds	17	17,370,491	15,320,332
Assets backed securities issued	18	252,988	185,204
Defined benefit obligations		2,681	2,615
		29,503,339	24,363,597
		17,720,710	17,698,031
CAPITAL AND RESERVES			
Share capital	19	497,945	497,868
Reserves		11,868,329	12,139,049
Equity attributable to owners of the Company		12,366,274	12,636,917
Non-controlling interests		5,354,436	5,061,114
		17,720,710	17,698,031

The condensed consolidated financial statements on pages 54 to 107 were approved and authorised for issue by the Board of Directors on 22 August 2018 and are signed on its behalf by:

Pan Jun
DIRECTOR

Lam Kam Tong
DIRECTOR

	Attributable to owners of the Company										Attributable to non-controlling interests				
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Share options reserve RMB'000	Contribution reserve RMB'000 (note b)	Statutory reserve RMB'000 (note c)	Discretionary reserve RMB'000 (note c)	FVTOCI reserve/ revaluation reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Share options reserve of Colour Life RMB'000 (note d)	Share options reserve of Morning Star RMB'000 (note d)	Other non-controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
At 1 January 2017 (audited)	497,848	1,945,103	252,953	17,591	40,600	72,774	1,477	10,058	8,116,947	10,955,351	197,155	2,942	1,965,287	2,165,384	13,120,735
Profit for the period	–	–	–	–	–	–	–	–	81,270	81,270	–	–	75,134	75,134	156,404
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	(4,411)	–	(4,411)	–	–	(2,961)	(2,961)	(7,372)
Deferred taxation effect	–	–	–	–	–	–	–	1,103	–	1,103	–	–	740	740	1,843
Other comprehensive expense for the period	–	–	–	–	–	–	–	(3,308)	–	(3,308)	–	–	(2,221)	(2,221)	(5,529)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(3,308)	81,270	77,962	–	–	72,913	72,913	150,875
Issue of shares upon exercise of share options	20	201	–	(57)	–	–	–	–	–	164	–	–	–	–	164
Dividend distributed to shareholders of the Company (note 7)	–	(250,049)	–	–	–	–	–	–	–	(250,049)	–	–	–	–	(250,049)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	45,621	45,621	45,621
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	22,397	1,106	–	23,503	23,503
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	13,553	13,553	13,553
Acquisition of additional interest in a subsidiary from a non-controlling shareholder	–	–	(327,492)	–	–	–	–	–	–	(327,492)	–	–	(172,508)	(172,508)	(500,000)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(1,600)	(1,600)	(1,600)
Disposal of partial interests in subsidiaries resulting in loss of control	–	–	–	–	–	–	–	–	–	–	–	–	(10,412)	(10,412)	(10,412)
Deemed disposal of partial interests in subsidiaries without loss of control	–	–	340,348	–	–	–	–	–	–	340,348	–	–	1,162,262	1,162,262	1,502,610
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(52,764)	(52,764)	(52,764)
Cancelled upon repurchase of shares of Colour life	–	–	–	–	–	–	–	–	–	–	–	–	(9,159)	(9,159)	(9,159)
Transfer	–	–	–	–	–	323	–	–	(323)	–	–	–	–	–	–
At 30 June 2017 (unaudited)	497,868	1,695,255	265,809	17,534	40,600	73,097	1,477	6,750	8,197,894	10,796,284	219,552	4,048	3,013,193	3,236,793	14,033,077
At 31 December 2017 (audited)	497,868	1,695,255	1,033,694	17,534	40,600	85,730	1,477	6,452	9,258,307	12,636,917	242,458	4,855	4,813,801	5,061,114	17,698,031
Effect arising from initial application of HKFRS 9 (note 2)	–	–	–	–	–	–	–	–	(10,134)	(10,134)	–	–	(756)	(756)	(10,890)
Effect arising from initial application of HKFRS 15 (note 2)	–	–	–	–	–	–	–	–	14,417	14,417	–	–	(794)	(794)	13,623
At 1 January 2018	497,868	1,695,255	1,033,694	17,534	40,600	85,730	1,477	6,452	9,262,590	12,641,200	242,458	4,855	4,812,251	5,059,564	17,700,764
Profit for the year	–	–	–	–	–	–	–	–	102,841	102,841	–	–	77,070	77,070	179,911
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	(142)	–	(142)	–	–	(96)	(96)	(238)
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	–	–	11,742	–	11,742	–	–	–	–	11,742
Deferred taxation effect	–	–	–	–	–	–	–	(2,900)	–	(2,900)	–	–	24	24	(2,876)
Other comprehensive income (expense) for the period	–	–	–	–	–	–	–	8,700	–	8,700	–	–	(72)	(72)	8,628
Total comprehensive income for the period	–	–	–	–	–	–	–	8,700	102,841	111,541	–	–	76,998	76,998	188,539
Issue of shares upon exercise of share options of the Company	77	802	–	(214)	–	–	–	–	–	665	–	–	–	–	665
Issue of shares upon exercise of share options of Colour Life (note h)	–	–	33,947	–	–	–	–	–	–	33,947	(32,708)	–	59,251	26,543	60,990
Dividend distributed to shareholders of the Company (note 7)	–	(329,217)	–	–	–	–	–	–	–	(329,217)	–	–	–	–	(329,217)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(77,465)	(77,465)	(77,465)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	28,200	28,200	28,200
Placement of new shares of Colour Life (note f)	–	–	89,446	–	–	–	–	–	–	89,446	–	–	262,850	262,850	352,296
Acquisition of subsidiaries (note 20)	–	–	–	–	–	–	–	–	–	–	–	–	3,070	3,070	3,070
Acquisition of additional interests in subsidiaries from non-controlling shareholders (note e)	–	–	(73,842)	–	–	–	–	–	–	(73,842)	–	–	(69,625)	(69,625)	(143,467)
Disposal of subsidiaries (note 21)	–	–	–	–	–	–	–	–	–	–	–	–	(70,233)	(70,233)	(70,233)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	6,548	520	–	7,068	7,068
Deemed disposal of partial interests in subsidiaries without loss of control (note g)	–	–	(107,466)	–	–	–	–	–	–	(107,466)	–	–	107,466	107,466	–
Transfer	–	–	–	–	–	64,269	–	–	(64,269)	–	–	–	–	–	–
At 30 June 2018 (unaudited)	497,945	1,366,840	975,779	17,320	40,600	149,999	1,477	15,152	9,301,162	12,366,274	216,298	5,375	5,132,763	5,354,436	17,720,710

For the six months ended 30 June 2018

Notes:

(a) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represented the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.

(b) Contribution reserve represented (a) the contribution/distribution to shareholders during the group reorganisation in 2009; (b) the difference between consideration paid and fair value of net assets acquired from related parties; (c) the difference between the consideration received and carrying amount of net assets disposed of to related parties during the Group reorganisation in 2009; and (d) the waiver of shareholder loans in 2009.

(c) The statutory reserve and discretionary reserve attributable to subsidiaries in the People's Republic of China (the "PRC") are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and transfer to capital upon approval from relevant authorities.

(d) Share options reserve represent the share-based payment under the share option schemes of Colour Life Service Group Co., Limited ("Colour Life") and Morning Star Group Limited ("Morning Star"), which are subsidiaries of the Company.

(e) During the six months ended 30 June 2018, the Group acquired additional interests in subsidiaries from the non-controlling shareholders. The difference of RMB73,842,000 between the consideration paid by the Group and attributable equity interests in the subsidiaries was debited to special reserve.

(f) In January 2018, Colour Life, of which shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, issued 87,246,000 new ordinary shares to existing shareholders. The net proceeds received by Colour Life is RMB352,296,000. The Group's percentage of equity interest in Colour Life was diluted from 50.39% to 46.33% upon completion of the issuance of shares. Under a concert party agreement entered into between the Company and Splendid Fortune Enterprise Limited ("Splendid Fortune"), a non-controlling shareholder of Colour Life, Splendid Fortune would follow the decision of the Company and the Company has 66.57% effective voting rights over Colour Life upon completion of the issuance of shares, thus the Company is able to exercise control over Colour Life and Colour Life is accounted for as subsidiary of the Company. The difference of RMB89,446,000 between the additional share of net assets of Colour Life by non-controlling shareholders and the net proceeds received by Colour Life on placement of new shares were recognised in special reserve.

(g) During the six months ended 30 June 2018, the Group transferred its 100% beneficially interest in Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership) 深圳市幸福萬象投資合夥企業(有限合夥) ("Shenzhen Wanxiang") and Wanxiangmei Property Management Co., Ltd. 萬象美物業管理有限公司 ("Wanxiangmei", together with Shenzhen Wanxiang referred to as the "Wanxiangmei Group") to Colour Life, a non-wholly owned subsidiary of the Company (the "Transaction"). The consideration of the Transaction included the cash consideration of RMB1,014,174,000 and the issue of 231,500,000 ordinary shares of Colour Life to the Company. The Group's percentage of equity interest in Colour Life was increased from 46.33% to 55.78% upon completion of the Transaction. The Transaction involved deemed disposal of partial interests in Wanxiangmei Group without loss of control and the acquisition of additional interests in Colour Life. Upon the completion of the Transaction in March 2018, the difference of RMB107,466,000 between the dilution of interests in Wanxiangmei Group held by the Company and the additional share of the net assets of Colour Life was debited in the special reserve.

(h) During the six months ended 30 June 2018, 11,996,000 shares of Colour Life were issued upon the exercise of share options of Colour Life. The aggregated net proceeds received by Colour Life from the holders of share options of Colour Life was RMB60,490,000. The exercise of the share options of Colour Life resulted in the dilution of the Group's percentage of equity interests in Colour Life without loss of control. The share-based payments previously recognised in share options reserve of Colour Life amounting to RMB32,708,000, together with the difference of RMB1,239,000 between the share of net assets of Colour Life by non-controlling shareholders and the aggregated net proceeds received by Colour Life upon the exercise of the share options of Colour Life, were credited in special reserve.

	NOTES	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		743,855	608,992
Increase in contract liabilities		4,124,816	–
Increase in deposits received on sales of properties		–	535,901
(Increase)/decrease in properties for sales		(2,358,382)	360,496
Increase in inventories		(135,887)	(39,811)
Deposit paid for acquisition of land use right		(224,784)	(5,000)
(Increase)/decrease in trade and other receivables		(567,954)	426,590
(Decrease)/Increase in trade and other payables		(185,709)	420,353
Income tax paid		(605,648)	(415,889)
Interest paid		(869,045)	(703,136)
Other operating cash flows (net)		28,918	(190,216)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(49,820)	998,280
INVESTING ACTIVITIES			
Decrease in restricted/pledged bank deposits		280,152	771,087
Settlement of consideration payables on acquisition of assets and liabilities through acquisition of subsidiaries and acquisition of business		(1,402,154)	(434,709)
Settlement of consideration receivables on disposal of subsidiaries		9,000	–
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	21	609,391	124,065
Disposal of partial interests in subsidiaries resulting in loss of control		–	1,128
Purchases of property, plant and equipment		(235,135)	(244,159)
Proceeds from disposal of property, plant and equipment		22,076	–
Purchases of available-for-sale investments		–	(803)
Purchases of equity instruments designated at FVTOCI		(22,530)	–
Additions to investment properties		(249,723)	(213,162)
Proceeds from disposal of investment properties		343,751	238,024
Investments in associates		(61,055)	(67,691)
Investments in joint ventures		(21,572)	(151,942)
Return of capital from deregistration of a joint venture		382,001	–
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	20(a)	(59,301)	(96,588)
Acquisition of business (net of cash and cash equivalents acquired)	20(b)	215	8,556
Payment of deposits paid for potential acquisition of subsidiaries		(889,524)	(572,522)
Advance of loan receivables		(7,951)	(55,508)
Repayment of loan receivables		43,342	65,525
Advances to associates, joint ventures and non-controlling shareholders of the subsidiaries		(629,187)	(225,020)
Repayment from associates, joint ventures and non-controlling shareholders of the subsidiaries		1,395,782	217,405
Other investing cash flows		94,722	108,700
NET CASH USED IN INVESTING ACTIVITIES		(397,700)	(527,614)

For the six months ended 30 June 2018

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Net proceeds from the issuance of senior notes and bonds	6,222,896	2,356,369
Repayment of senior notes	(4,380,715)	–
Early redemption of senior notes	(503,399)	(2,140,294)
Net proceeds from the issuance of assets backed securities	98,236	–
Repayment of principal receipts under securitisation arrangements	(27,500)	(25,000)
Contributions from non-controlling shareholders of the subsidiaries	28,200	45,621
Placement of new shares of Colour Life	352,296	–
Acquisition of additional interest in subsidiaries	(143,467)	(500,000)
Deemed disposal of partial interests in subsidiaries without loss of control	–	600,000
New borrowings raised	7,078,087	444,039
Repayment of borrowings	(1,762,553)	(391,820)
Dividend paid to shareholders of the Company	(329,217)	(250,049)
Dividend paid to non-controlling shareholders of the subsidiaries	(77,465)	(52,764)
Issue of shares upon exercise of share options	61,155	164
Advances from associates, joint ventures, non-controlling shareholders of the subsidiaries and related parties	485,403	34,200
Repayment to associates and joint ventures	(13,513)	(895,714)
Repurchase of shares under shares award scheme of Colour Life	–	(9,159)
Other financing cash flows	(43,243)	(14,157)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	7,045,201	(798,564)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,597,681	(327,898)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	14,335,075	9,136,526
Effect of foreign exchange rate changes	(149,509)	(219,856)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	20,783,247	8,588,772

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies and amounts reported as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

Revenue of the Group mainly consists of revenue derived from the (i) sales of developed properties, (ii) provision of property agency services, (iii) property operation services, (iv) provision of hotel accommodation services, (v) provision of travel agency services and (vi) manufacturing and sale of fuel pumps.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

For the six months ended 30 June 2018

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (mainly sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Warranties

The Group accounts for the warranty in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets, as the Group provide assurance that the product complies with agreed-upon specifications and the customer does not have the option to purchase a warranty separately.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The Group recognises revenue under HKFRS 15 from the following major sources:

- Sales of developed properties;
- Provision of property agency services;
- Provision of property management services;
- Provision of consultancy services income for residential communities;
- Provision of online promotion and other value-added services;
- Provision of engineering services;
- Provision of hotel accommodation services;
- Provision of travel agency services; and
- Manufacturing and sales of fuel pumps.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

For sales of developed properties, the Group presold the properties under construction and receives deposits from customers. Revenue is recognised at a point in time when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

For provision of property agency services, agency commission is recognised at a point in time when a buyer and seller execute a legally binding sale agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Property management services mainly includes property management services under lump sum basis, commission basis and at pre-delivery stage. For property management services, the Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners. As the property owners simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units. As the property owners' associations simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivables from property owners' associations as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners' associations over time.

For property management services income at pre-delivery stage, where the Group acts as principal and is primary responsible for providing the property management services for the property developers. As the property developers simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property developers as its revenue over time and all related property management costs as its cost of services.

For consultancy services income for residential communities, where the Group acts as principal and is primary responsible for providing the consultancy services for the property management companies. As the property management companies simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from the residential communities, which is agreed upfront, as its revenue over time and all related property management costs as its cost of services.

For the six months ended 30 June 2018

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

For online promotion and other value-added services, the Group agrees the fixed rate for services with the customers upfront and issues the bill on a monthly/regular basis to the customers which varies based on the actual level of service completed in that month/period. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

For engineering services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of specific transaction assessed on the basis on the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

For provision of hotel accommodation services, the Group agrees the fixed rate for services with the customers upfront. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

For provision of travel agency services, the Group agrees the fixed fee income for tour services provided by the Group with the customers upfront. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied.

For manufacturing and sales of fuel pumps, revenue is recognised at a point in time when the customer obtains the control of the fuel pumps, the Group has present right to payment and the collection of the consideration is probable.

The following table summarises the impact of transition to HKFRS 15 on accumulated profits at 1 January 2018.

	NOTES	Impact of adopting HKFRS 15 at 1 January 2018 RMB'000
Accumulated profits		9,258,307
Recognition of significant financing component	(a)	(92,835)
Recognition of contract costs	(b)	111,000
Tax effects	(a)&(b)	(4,542)
Impact relating to non-controlling interests		794
Impact at 1 January 2018	(g)	9,272,724

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	NOTES	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	Carrying amounts under HKFRS 15 at 1 January 2018 RMB'000 (note g)
Non-current Assets					
Deferred tax assets	(a)/(b)	461,990	–	13,708	475,698
Current Assets					
Properties for sale	(a)	23,777,966	–	9,919	23,787,885
Contract assets	(c)/(d)	–	125,627	–	125,627
Contract costs	(b)	–	–	111,000	111,000
Trade and other receivables	(c)	4,129,404	(21,548)	–	4,107,856
Amounts due from customers for contract works	(d)	104,079	(104,079)	–	–
Current Liabilities					
Trade and other payables	(f)	9,282,468	(497,536)	–	8,784,932
Deposits received for sale of properties	(e)	5,503,060	(5,503,060)	–	–
Amounts due to customers for contract works	(d)	13,778	(13,778)	–	–
Contract liabilities	(a)/(d)/(e)/(f)	–	6,014,374	102,754	6,117,128
Non-current Liabilities					
Deferred tax liabilities	(a)/(b)	1,754,528	–	18,250	1,772,778
Capital and Reserves					
Reserves	(a)/(b)	12,139,049	–	14,417	12,153,466
Non-controlling interests	(a)/(b)	5,061,114	–	(794)	5,060,320

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2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Notes:

(a) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customer and the customer paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (deposits from pre-sale of properties) is recognised in accounting for the contract with the customers and adjusted the promised amount of consideration by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. At the date of initial application, finance costs eligible for capitalisation amounting to RMB9,919,000 have been adjusted to properties for sale and finance costs not eligible for capitalisation of RMB85,802,000 and RMB7,033,000 have been debited to the accumulated profits and the non-controlling interests, respectively, with corresponding adjustment of RMB102,754,000 credited to contract liabilities. The corresponding tax effect has been recognised as deferred tax assets or liabilities, as appropriate.

(b) The Group incurred incremental commission paid/payable to intermediaries/employees in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts of RMB111,000,000 was recognised as contract costs with corresponding adjustments of RMB105,025,000 and RMB5,975,000 to accumulated profits and non-controlling interests, respectively. The corresponding tax effect has been recognised as deferred tax assets or liabilities, as appropriate.

(c) At the date of initial application of HKFRS 15, retention receivables and unbilled revenue amounting to RMB679,000 and RMB20,869,000, respectively, were reclassified from trade and other receivables to contract assets.

(d) In relation to installation contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligation satisfied up to date of initial application of HKFRS 15. RMB104,079,000 and RMB13,778,000 of amounts due from and to customers for contract works were reclassified to contract assets and contract liabilities, respectively.

(e) At the date of initial application of HKFRS 15, deposits received for sale of properties of RMB5,503,060,000, net with the significant financing component effect of RMB102,754,000 as set out in note (a) above, were reclassified to contract liabilities.

(f) At the date of initial application of HKFRS 15, advances from customers of RMB497,536,000 included in trade and other payables were reclassified to contract liabilities.

(g) The amounts are before the adjustments from the application of HKFRS 9.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position at 30 June 2018

	As reported	Reclassification	Remeasurement	Amounts without application of HKFRS 15
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets				
Deferred tax assets	504,438	–	(18,939)	485,499
Current Assets				
Properties for sale	28,547,372	–	(204,223)	28,343,149
Contract assets	142,011	(142,011)	–	–
Contract costs	181,256	–	(181,256)	–
Trade and other receivables	4,976,379	30,544	–	5,006,923
Amounts due from customers for contract works	–	111,467	–	111,467
Current Liabilities				
Contract liabilities	10,017,226	(9,684,909)	(332,317)	–
Deposits received for sale of properties	–	9,216,118	–	9,216,118
Amounts due to customers for contract works	–	15,073	–	15,073
Trade and other payables	8,725,138	453,718	–	9,178,856
Non-current Liabilities				
Deferred tax liabilities	1,934,028	–	(32,230)	1,901,798
Capital and Reserves				
Reserves	11,868,329	–	(32,437)	11,835,892
Non-controlling interests	5,354,436	–	(7,434)	5,347,002

For the six months ended 30 June 2018

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018

	As reported RMB'000	Reclassification RMB'000	Remeasurement RMB'000	Amounts without application of HKFRS 15 RMB'000
Revenue from goods and services	5,069,750	–	(56,515)	5,013,235
Cost of sales and services	(3,877,542)	–	50,836	(3,826,706)
Gross profit	1,317,969	–	(5,679)	1,312,290
Selling and distribution expenses	(157,181)	–	(115,141)	(272,322)
Finance costs	(814,317)	–	85,823	(728,494)
Profit before tax	632,714	–	(34,997)	597,717
Income tax expense	(452,803)	–	8,749	(444,054)
Profit for the period	179,911	–	(26,248)	153,663
Total comprehensive income for the period	188,539	–	(26,248)	162,291

The explanations of the above changes affected in the current period by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related Interpretations are set out in notes (a) to (f) above for describing the adjustments made to the condensed consolidated statement of financial position at 1 January 2018 upon the adoption of HKFRS 15.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9")

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and lease receivables) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2. Principal Accounting Policies (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9") (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For the six months ended 30 June 2018

2. Principal Accounting Policies (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9") (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and losses" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries of the Company, associates and joint ventures, restricted/pledged bank deposits and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. Principal Accounting Policies (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9") (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. Principal Accounting Policies (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9") (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

Impairment under ECL model (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries, associates and joint ventures and contract assets, where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments/receivables.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. Principal Accounting Policies (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9") (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	NOTES	Available-for-sale investments RMB'000	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 RMB'000 (note b)	Equity instruments designated at FVTOCI RMB'000	Financial assets at amortised cost (previously classified as loans and receivables) RMB'000	Contract assets RMB'000	Deferred tax assets RMB'000	Accumulated profits RMB'000	Non-controlling interests RMB'000
Closing balance at 31 December 2017 – under HKAS 39		117,663	234,460	–	21,759,577	–	461,990	9,258,307	5,061,114
Effect arising from initial application of HKFRS 15		–	–	–	(21,548)	125,627	13,708	14,417	(794)
Effect arising from initial application of HKFRS 9:									
Reclassification									
From available-for-sale investments	(a)	(117,663)	–	117,663	–	–	–	–	–
Remeasurement									
Impairment under ECL model	(c)	–	–	–	(11,537)	(2,983)	3,630	(10,134)	(756)
Opening balance at 1 January 2018		–	234,460	117,663	21,726,492	122,644	479,328	9,262,590	5,059,564

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2. Principal Accounting Policies (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9") (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes:

(a) Available-for-sale investments

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale investments. At the date of initial application of HKFRS 9, RMB117,663,000 were reclassified from available-for-sale investments to equity instruments designated at FVTOCI, which were related to unquoted equity investments previously measured at cost less impairment under HKAS 39. No fair value change relating to those unquoted equity investments previously carried at cost less impairment was adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018.

(b) Financial assets at FVTPL

Financial assets at FVTPL are securities investments and derivatives which are required to be classified as FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of restricted/pledged bank deposits, bank balances, other receivables, amounts due from non-controlling shareholders of the subsidiaries of the Company, associates and joint ventures are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB14,520,000, after net of deferred tax effect of RMB3,630,000, has been recognised against accumulated profits and non-controlling interests of RMB10,134,000 and RMB756,000, respectively. The additional loss allowance is charged against the respective assets.

All loss allowances for financial assets including contract assets and trade and other receivables as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 is as follows:

	Contract assets RMB'000	Trade and other receivables RMB'000
At 31 December 2017		
– under HKAS 39	–	188,952
Reclassification	9,448	(9,448)
Amounts remeasured through opening accumulated profits/ non-controlling interests	2,983	11,537
At 1 January 2018	12,431	191,041

2. Principal Accounting Policies (Continued)

2.3 Impacts and changes in accounting policies of application on HKAS 40 Transfers of Investment Property ("HKAS 40")

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction.

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 January 2018.

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be adjusted. The following table show the adjustments recognised for each individual line item.

	31 December 2017 RMB'000 (audited)	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 January 2018 RMB'000 (adjusted)
Non-current Assets				
Property, plant and equipment	2,611,084	–	–	2,611,084
Investment properties	10,194,164	–	–	10,194,164
Interests in associates	1,174,908	–	–	1,174,908
Interests in joint ventures	1,060,057	–	–	1,060,057
Equity instruments designated at FVTOCI	–	–	117,663	117,663
Available-for-sale investments	117,663	–	(117,663)	–
Goodwill	2,299,758	–	–	2,299,758
Intangible assets	1,319,901	–	–	1,319,901
Prepaid lease payments	754,720	–	–	754,720
Premium on prepaid lease payments	1,268,992	–	–	1,268,992
Other receivables	167,624	–	–	167,624
Deposits paid for potential acquisition of subsidiaries	799,606	–	–	799,606
Deposit paid for acquisition of a property project	159,214	–	–	159,214
Deposits paid for acquisition of land use rights	118,103	–	–	118,103
Deferred tax assets	461,990	13,708	3,630	479,328
	22,507,784	13,708	3,630	22,525,122

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2. Principal Accounting Policies (Continued)

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 RMB'000 (audited)	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 January 2018 RMB'000 (adjusted)
Current Assets				
Properties for sale	23,777,966	9,919	–	23,787,885
Inventories	194,655	–	–	194,655
Prepaid lease payments	18,228	–	–	18,228
Premium on prepaid lease payments	19,233	–	–	19,233
Contract assets	–	125,627	(2,983)	122,644
Contract costs	–	111,000	–	111,000
Trade and other receivables	4,129,404	(21,548)	(11,537)	4,096,319
Amounts due from customers for contract works	104,079	(104,079)	–	–
Tax recoverable	85,990	–	–	85,990
Amounts due from non-controlling shareholders of the subsidiaries of the Company	1,052,812	–	–	1,052,812
Amounts due from joint ventures	362,935	–	–	362,935
Amounts due from associates	27,567	–	–	27,567
Financial assets at fair value through profit or loss ("FVTPL")	234,460	–	–	234,460
Restricted/pledged bank deposits	2,106,552	–	–	2,106,552
Bank balances and cash	14,335,075	–	–	14,335,075
	46,448,956	120,919	(14,520)	46,555,355

2. Principal Accounting Policies (Continued)

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 RMB'000 (audited)	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 January 2018 RMB'000 (adjusted)
Current Liabilities				
Trade and other payables	9,282,468	(497,536)	–	8,784,932
Deposits received for sale of properties	5,503,060	(5,503,060)	–	–
Amounts due to customers for contract works	13,778	(13,778)	–	–
Contract liabilities	–	6,117,128	–	6,117,128
Amounts due to joint ventures	10,000	–	–	10,000
Amounts due to associates	13,513	–	–	13,513
Tax liabilities	4,431,080	–	–	4,431,080
Borrowings due within one year	3,022,026	–	–	3,022,026
Obligations under finance leases	51,693	–	–	51,693
Senior notes and bonds	4,484,610	–	–	4,484,610
Assets backed securities issued	42,533	–	–	42,533
Defined benefit obligations	220	–	–	220
Provisions	40,131	–	–	40,131
	26,895,112	102,754	–	26,997,866
Net Current Assets	19,553,844	18,165	(14,520)	19,557,489
Total Assets Less Current Liabilities	42,061,628	31,873	(10,890)	42,082,611

For the six months ended 30 June 2018

2. Principal Accounting Policies (Continued)

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 RMB'000 (audited)	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 January 2018 RMB'000 (adjusted)
Non-current Liabilities				
Deferred tax liabilities	1,754,528	18,250	–	1,772,778
Borrowings due after one year	6,841,619	–	–	6,841,619
Obligations under finance leases	259,299	–	–	259,299
Senior notes and bonds	15,320,332	–	–	15,320,332
Assets backed securities issued	185,204	–	–	185,204
Defined benefit obligations	2,615	–	–	2,615
	24,363,597	18,250	–	24,381,847
Net Assets	17,698,031	13,623	(10,890)	17,700,764
Capital and Reserves				
Share capital	497,868	–	–	497,868
Reserves	12,139,049	14,417	(10,134)	12,143,332
Equity attributable to owners of the Company	12,636,917	14,417	(10,134)	12,641,200
Non-controlling interests	5,061,114	(794)	(756)	5,059,564
Total Equity	17,698,031	13,623	(10,890)	17,700,764

Except as described above, the application of other amendments to the HKFRSs and the interpretation in current interim period had no material effect on the amounts reported or disclosures set out in these condensed consolidated financial statements.

3. Revenue from Goods and Services

Disaggregation of revenue from goods and services

	Six months ended 30 June 2018					
Segments	Property development RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods and services						
Property development						
Sales of developed properties	2,563,280	–	–	–	–	2,563,280
Property agency services						
Provision of property agency services	–	28,801	–	–	–	28,801
Property operation services						
Provision of property management services	–	–	1,773,862	–	–	1,773,862
Provision of consultancy services income for residential communities	–	–	2,612	–	–	2,612
Provision of online promotion and other value-added services	–	–	162,013	–	–	162,013
Provision of engineering services	–	–	60,286	–	–	60,286
Hotel operations						
Provision of hotel accommodation services	–	–	–	67,370	–	67,370
Others						
Provision of travel agency services	–	–	–	–	162,992	162,992
Manufacturing and sales of fuel pumps	–	–	–	–	248,533	248,533
	2,563,280	28,801	1,998,773	67,370	411,526	5,069,750
Timing of revenue recognition						
A point in time	2,563,280	28,801	–	–	248,533	2,840,614
Over time	–	–	1,998,773	67,370	162,993	2,229,136
	2,563,280	28,801	1,998,773	67,370	411,526	5,069,750

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For the six months ended 30 June 2018

3. Revenue from Goods and Services (Continued)

Disaggregation of revenue from goods and services (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Six months ended 30 June 2018						
Segments	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue disclosed in segment information							
External customers	2,563,280	125,761	28,801	1,998,773	67,370	411,526	5,195,511
Inter-segment	6,716	–	–	54,361	–	–	61,077
	2,569,996	125,761	28,801	2,053,134	67,370	411,526	5,256,588
Elimination	(6,716)	–	–	(54,361)	–	–	(61,077)
Adjustments for lease income	–	(125,761)	–	–	–	–	(125,761)
Revenue from contracts with customers	2,563,280	–	28,801	1,998,773	67,370	411,526	5,069,750

4. Segment Information

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2018

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000 (note)	Reportable segment total RMB'000	Eliminations RMB'000	Total RMB'000
SEGMENT REVENUE (UNAUDITED)									
External sales	2,563,280	125,761	28,801	1,998,773	67,370	411,526	5,195,511	–	5,195,511
Inter-segment sales	6,716	–	–	54,361	–	–	61,077	(61,077)	–
Total	2,569,996	125,761	28,801	2,053,134	67,370	411,526	5,256,588	(61,077)	5,195,511
Segment profit (loss)	451,090	253,425	1,665	285,639	(8,908)	(52,664)	930,247	(12,621)	917,626

4. Segment Information (Continued)

Six months ended 30 June 2017

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000 (note)	Reportable segment total RMB'000	Eliminations RMB'000	Total RMB'000
SEGMENT REVENUE (UNAUDITED)									
External sales	2,068,777	116,945	27,122	978,459	63,801	382,155	3,637,259	–	3,637,259
Inter-segment sales	5,527	–	–	42,221	–	–	47,748	(47,748)	–
Total	2,074,304	116,945	27,122	1,020,680	63,801	382,155	3,685,007	(47,748)	3,637,259
Segment profit (loss)	375,498	461,636	1,307	228,743	(9,470)	(46,107)	1,011,607	(20,716)	990,891

Note: Others are engaged in provision of travel agency services, manufacturing and sale of fuel pumps.

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of central administration costs and directors' salaries, bank interest income, net exchange gain (loss), loss on redemption of senior notes, change in fair value of financial assets at FVTPL, share-based payment expenses, finance costs, share of results of associates and joint ventures and gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Reconciliation:

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Total Segment profit	917,626	990,891
Unallocated amounts:		
Exchange (loss) gain	(270,146)	247,623
Interest income	75,019	48,703
Loss on redemption of senior notes	(3,372)	(116,933)
Finance costs	(814,317)	(609,782)
Gains on disposal of subsidiaries (note 21)	766,779	98,820
Share results of associates	16,866	21,071
Share results of joint ventures	(21,741)	29,716
Unallocated other income, gains and losses	3,975	2,849
Unallocated corporation expenses	(37,975)	(35,162)
Profit before tax	632,714	677,796

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4. Segment Information (Continued)

The following is an analysis of the Group's assets by reportable and operating segments:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Property development	33,029,727	27,731,514
Property investment	11,164,306	10,354,247
Property agency services	12,383	16,391
Property operation services	7,272,543	6,351,341
Hotel operations	1,037,006	1,089,959
Others	2,593,842	2,483,425
Total segment assets	55,109,807	48,026,877
Total unallocated assets	25,620,634	20,929,863
Group's total assets	80,730,441	68,956,740

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, available-for-sale investments, equity instruments designated at FVTOCI, financial assets at FVTPL, amounts due from non-controlling shareholders of the subsidiaries of the Company, associates and joint ventures, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

5. Income Tax Expense

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current tax in the PRC		
EIT	228,836	289,823
LAT	90,703	135,670
	319,539	425,493
Deferred tax:		
Charge to profit and loss	133,264	95,899
	452,803	521,392

6. Profit for the Period

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Net exchange loss (gain)	270,146	(247,623)
Interest income	(75,019)	(48,703)
Loss on redemption of senior notes (included in other gains and losses)	3,372	116,933
Release of prepaid lease payments	6,947	14,077
Release of premium on prepaid lease payments	9,616	14,373
Depreciation of property, plant and equipment	105,338	95,622
Amortisation of intangible assets	70,313	15,782
Impairment loss on goodwill (included in other gains and losses)	4,162	–
Impairment loss in respect of trade receivables and contract assets	15,750	8,712
Impairment loss in respect of other receivables	19,287	7,849
Staff costs	899,927	559,817

7. Dividends

During the six months ended 30 June 2018, a final dividend of HK7.00 cents per share in respect of the year ended 31 December 2017 (2016: HK5.00 cents) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the Period amounted to RMB329,217,000 (2016: RMB250,049,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2018.

8. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June 2018 RMB'000 (unaudited)	Six months ended 30 June 2017 RMB'000 (unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	102,841	81,270
Effect of dilutive potential ordinary shares:		
Share options – Colour Life	(80)	–
Earnings for the purpose of diluted earnings per share	102,761	81,270
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,762,546	5,761,972
Effect of dilutive potential ordinary shares:		
Share options	36,047	23,348
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,798,593	5,785,320

Those share options granted by Colour Life, a non-wholly owned subsidiary of the Company, have no impact on the computation of diluted earnings per share for the period ended 30 June 2017, where the exercise price of the share options of Colour Life was higher than the average market price of Colour Life's shares.

Those share options granted by Morning Star, a wholly owned subsidiary of the Company, have no impact on the computation of diluted earnings per share for both the periods, where Morning Star's share options are anti-dilutive.

9. Property, Plant and Equipment

The movements in property, plant and equipment during the six months ended 30 June 2018 are summarised as follows:

	RMB'000
At 1 January 2018 (audited)	2,611,084
Additions	283,104
Depreciation for the period	(105,338)
Transfer to investment properties	(18,410)
Disposals	(11,135)
Disposal of subsidiaries (note 21)	(74,986)
At 30 June 2018 (unaudited)	2,684,319

10. Investment Properties

The movements in investment properties during the six months ended 30 June 2018 are summarised as follows:

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
FAIR VALUE			
At 1 January 2018 (audited)	8,704,339	1,489,825	10,194,164
Additions	–	261,101	261,101
Acquisition of subsidiaries (note 20)	–	109,981	109,981
Transfer upon completion of construction work	171,702	(171,702)	–
Transfer from completed properties for sale	342,251	–	342,251
Transfer from property, plant and equipment	18,410	–	18,410
Net change in fair value recognised in profit or loss	64,299	130,710	195,009
Disposals	(343,751)	–	(343,751)
At 30 June 2018 (unaudited)	8,957,250	1,819,915	10,777,165

As at 30 June 2018, the fair values of the Group's completed investment properties of RMB8,957,250,000 (31 December 2017: RMB8,704,339,000) and investment properties under construction of RMB1,819,915,000 (31 December 2017: RMB1,489,825,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer which is not connected with the Group, which has appropriate qualifications and recent experiences in valuation of similar properties in the relevant locations.

The valuation of completed investment properties are determined by income capitalisation method and direct comparison method. Income capitalisation method is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction are arrived at by residual method and direct comparison method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development. Direct comparison method is arrived at by reference to comparable market transactions and presuppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors.

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11. Contract Assets

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Installation services	83,342	–
Construction	69,769	–
	153,111	–
Less: allowance for doubtful debts	(11,100)	–
	142,011	–

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction and installation services. The contract assets are transferred to trade receivables when the rights become unconditional.

Details of the impairment assessment are set out in Note 13.

12. Trade and Other Receivables

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	2,010,464	2,081,969
Other receivables	223,493	173,117
Loan receivables	52,911	88,302
Prepayments and other deposits	234,384	271,564
Prepayments to suppliers	315,155	228,826
Prepayments for construction work	448,681	396,232
Payment on behalf of residents	775,903	522,495
Consideration receivables on disposal of equity interests	368,800	9,000
Amount due from Pixian Government	122,830	122,830
Other tax prepayments	580,798	402,693
	5,133,419	4,297,028
Less: Amount shown under non-current assets	(157,040)	(167,624)
Amounts shown under current assets	4,976,379	4,129,404

Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and services fee is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property operation services has a designated credit limit.

Hotel operation and travel agency service income are in form of cash sales.

12. Trade and Other Receivables (Continued)

The following is an aged analysis of trade receivables of the Group net of allowance for bad and doubtful debts presented based on the date of delivery of the properties to the customers for property sale or the date of rendering of services at the end of the Period:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 to 30 days	817,825	989,820
31 to 90 days	611,895	639,412
91 to 180 days	263,863	212,806
181 to 365 days	178,907	141,949
Over 1 year	137,974	97,982
	2,010,464	2,081,969

Detailed of the impairment assessment are set out in Note 13.

13. Impairment Assessment on Financial Assets and Other Items Subject to ECL Model

Impairment assessments are considered by the Group on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries, associates and joint ventures, restricted/pledged bank deposits and bank balances) and contract assets. Details of the impairment assessment for trade receivables, contract assets and payments on behalf of residents are set out as below. The amount of the loss allowance on other financial assets at 1 January 2018 and 30 June 2018 was considered as insignificant to the condensed consolidated financial statements of the Group.

Trade receivables and contract assets

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables arising from property operation services and contract assets, which are assessed collectively based on provision matrix as at 30 June 2018.

For trade receivables arising from sales of properties, the amount of the loss allowance at 1 January 2018 and 30 June 2018 was considered as insignificant to the condensed consolidated financial statements of the Group.

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13. Impairment Assessment on Financial Assets and Other Items Subject to ECL Model (Continued)

Trade receivables and contract assets (Continued)

For trade receivables arising from property operation services, sales of fuel pumps and contract assets in which impairment loss allowance was made:

	Average loss rate (note a)	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0 – 30 days	0.5%	412,870	2,064
31 – 90 days	2.0%	376,560	7,531
91 – 180 days	6.0%	258,317	15,499
181 – 365 days	12.0%	150,880	18,106
Over 1 year	45.0%	131,429	59,143
		1,330,056	102,343

Allowance for impairment of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the six months ended 30 June 2018 was as follow.

	RMB'000
Balance at 1 January 2018 (note b)	111,064
Amounts written off	(24,471)
Net remeasurement of loss allowance	15,750
Balance at 30 June 2018 (unaudited)	102,343

Notes:

(a) The estimated loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data.

(b) The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

13. Impairment Assessment on Financial Assets and Other Items Subject to ECL Model (Continued)

Payments on behalf of residents

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

Category	Group definition of category
Type I	Communities for which the Group have terminated or plan to terminate the related property management contracts through non-renewal primarily because their performance does not meet our expectations to implement the Group's automation strategy and provide community leasing, sales, other value added services and engineering services to residents and property owners.
Type II	Communities which are in the pre-delivery stage. Although the management offices do not start receiving property management fees until the properties are delivered to owners, the management offices still incur expenses, which are paid through our treasury function, to arrange for property management services at the relevant communities.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents.

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed collectively based on provision matrix as at 30 June 2018.

	Average loss rate (note a)	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	95%	66,175	62,866
Type II	5%	79,165	3,958
Type III	1%	573,330	5,733
Type IV	20%	162,237	32,447
		880,907	105,004

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13. Impairment Assessment on Financial Assets and Other Items Subject to ECL Model (Continued)

Payments on behalf of residents (Continued)

Allowance for impairment of payments on behalf of residents

	RMB'000
Balance at 1 January 2018 (note b)	92,408
Amounts written off	(6,691)
Net remeasurement of loss allowance	19,287
Balance at 30 June 2018 (unaudited)	105,004

Notes:

(a) The estimated loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data.

(b) The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

14. Financial Assets at FVTPL

Financial assets at FVTPL mainly money market funds investment issued by a reputable securities corporation.

The return and principal of money market fund investments were not guaranteed by the securities corporation. The investments as above have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis.

The fair value of the money market funds investment at 30 June 2018 and 31 December 2017 are determined by market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits.

As at 30 June 2018, the principal of the investments are RMB113,644,000 (2017: RMB234,460,000). In the opinion of directors, the fair value of investment at 30 June 2018 approximated to their principal amount.

15. Trade and Other Payables

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables	4,934,659	3,850,108
Retention payables	10,011	7,310
Deposit received	718,735	567,644
Other payables	923,792	1,333,135
Other tax payables	401,534	471,689
Accrued staff costs	541,170	625,366
Consideration payables for acquisition of subsidiaries and associates	1,066,809	2,352,484
Accruals	128,428	74,732
	8,725,138	9,282,468

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials ranged from two months to one year.

The following is an aged analysis of the Group's trade payables and retention payable presented based on the invoice date at the end of the Period:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 to 60 days	2,896,141	1,994,373
61 to 180 days	996,206	905,494
181 to 365 days	663,832	642,043
1 to 2 years	328,627	232,191
2 to 3 years	55,392	74,942
Over 3 years	4,472	8,375
	4,944,670	3,857,418

16. Borrowings

During the six months ended 30 June 2018, the Group obtained new borrowings amounting to RMB7,078,087,000 (six months ended 30 June 2017: RMB444,039,000) and repaid borrowings amounting to RMB1,762,553,000 (six months ended 30 June 2017: RMB391,820,000).

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Secured	11,141,130	6,215,822
Unsecured	4,063,803	3,647,823
	15,204,933	9,863,645

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16. Borrowings (Continued)

Analysis for reporting purpose:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Current	5,538,267	3,022,026
Non-current	9,666,666	6,841,619
	15,204,933	9,863,645

The new borrowings raised are denominated in Renminbi, United State Dollar and Hong Kong Dollar and carry interest ranging from 4.28% to 12.83% per annum.

17. Senior Notes and Bonds

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
2013 senior notes due 2020	1,720,006	1,707,273
2015 senior notes due 2018	–	1,313,578
2016 May senior notes due 2019	1,609,038	1,601,413
2016 October senior notes due 2021	3,326,860	3,280,574
2017 June senior notes due 2018	–	3,171,032
2017 July senior notes due 2022	2,040,758	2,013,652
2018 February senior notes due 2019	2,029,152	–
2018 March senior notes due 2021	3,987,982	–
2018 June senior notes due 2019	653,995	–
2015 domestic corporate bonds due 2020	2,093,911	2,021,962
2016 first domestic corporate bonds due 2020	1,135,687	1,095,052
2016 second domestic corporate bonds due 2019	415,438	406,371
2016 third domestic corporate bonds due 2019	2,626,826	3,047,804
2017 domestic corporate bonds due 2020	152,290	146,231
	21,791,943	19,804,942
Less: Amounts due within one year shown under current liabilities	(4,421,452)	(4,484,610)
Amounts due after one year shown under non-current liabilities	17,370,491	15,320,332

During the six months ended 30 June 2018, the Group newly issued senior notes in an aggregate principal amount of US$1,000,000,000 (details are set out below) and repaid 2015 Senior Note due 2018, 2017 June Original Senior Note due 2018 and first tranche of 2016 Third Domestic Corporate Bond due 2019, with aggregate principal amounts of US$200,000,000, US$350,000,000 and RMB500,000,000 respectively.

17. Senior Notes and Bonds (Continued)

On 14 February 2018, the Group issued senior notes in an aggregate principal amount of US$300,000,000 ("2018 February Senior Note"). The 2018 February Senior Note are guaranteed by certain equity interests of the subsidiaries of the Company and carry interest of 7.25% per annum and interest is payable semi-annually on 14 February and 14 August in arrears. The 2018 February Senior Note were issued at par value and are listed on the Singapore Exchange Securities Trading Limited. The effective interest rate is 8.12% per annum. The 2018 February Senior Note will mature on 14 February 2019, unless redeemed earlier.

On 8 March 2018, the Group issued senior notes in an aggregate principal amount of US$350,000,000 ("2018 March First Senior Note"). The 2018 March First Senior Note are guaranteed by certain equity interests of the subsidiaries of the Company, carry interest of 8.375% per annum and interest is payable semi-annually on 8 March and 8 September in arrears. The 2018 March Original Senior Note were issued at par value and are listed on the Singapore Exchange Securities Trading Limited.

On 19 March 2018, the Group issued senior notes in aggregate principal amounts of US$100,000,000 ("2018 March Second Senior Note"). The 2018 March Second Senior Note are guaranteed by certain equity interests of the subsidiaries of the Company, carry interest of 8.375% per annum and interest is payable semi-annually on 8 March and 8 September in arrears with the same terms and conditions of the 2018 March First Senior Notes, except for the issue date and the issue price. The 2018 March Second Senior Note were issued at par value and are listed on the Singapore Exchange Securities Trading Limited.

On 10 May 2018, the Group issued senior notes in aggregate principal amounts of US$150,000,000 ("2018 March Third Senior Note", together with 2018 March First Senior Note and 2018 March Second Senior Note referred to as "2018 March Senior Note"). The 2018 March Third Senior Note are guaranteed by certain equity interests of the subsidiaries of the Company, carry interest of 8.375% per annum and interest is payable semi-annually on 8 March and 8 September in arrears with the same terms and conditions of the 2018 March First Senior Notes, except for the issue date and the issue price. The 2018 March Third Senior Note were issued at 96.285% of the principal amount and are listed on the Singapore Exchange Securities Trading Limited.

The effective interest rates of 2018 March Senior Notes are ranging from 8.95% to 9.91% per annum. 2018 March Senior Note will mature on 8 March 2021, unless redeemed earlier.

On 1 June 2018 the Group further issued senior notes in aggregate principal amounts of US$100,000,000 ("2018 June Senior Note"). The 2018 June Senior Note are guaranteed by certain equity interests of the subsidiaries of the Company, carry interest of 8.5% per annum and interest is payable semi-annually on 5 December 2018 and 4 June 2019. The 2018 June Senior Note were issued at par value and are listed on the Singapore Exchange Securities Trading Limited. The effective interest rate is 10.661% per annum. The 2018 June Senior Note will mature on 4 June 2019, unless redeemed earlier.

The directors of the Company consider that the fair value of the early redemption options on the senior notes as mentioned above is insignificant on initial recognition and 30 June 2018.

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17. Senior Notes and Bonds (Continued)

The movements of the senior notes and bonds during the six months ended 30 June 2018 are set out below:

	RMB'000
At 1 January 2018 (audited)	19,804,942
Net proceeds on the date of issuance of senior notes	6,222,896
Exchange loss	241,022
Effective interest expenses	966,362
Payment of interests	(562,537)
Early redemption of senior notes	(500,027)
Repayment of senior notes	(4,380,715)
At 30 June 2018 (unaudited)	21,791,943

Analysis for reporting purpose:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Current	4,421,452	4,484,610
Non-current	17,370,491	15,320,332
	21,791,943	19,804,942

18. Assets Backed Securities Issued

During the six months ended 30 June 2018, Shenzhen Colour Life Services Group Co., Ltd. 深圳市彩生活服務集團有限公司 ("Shenzhen Colour Life"), a non-wholly owned subsidiary of the Company, newly issued the assets backed securities ("ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia Group (China) Co., Ltd. 花樣年集團（中國）有限公司, a wholly-owned subsidiary of the Company. The ABS were issued at discount of 1.8% with aggregate nominal value of RMB100,000,000 which carry interests ranging from 6.5% to 7.3% per annum. Under the securitisation arrangement, the principal and interests are payable semi-annually and with maturity from January 2019 to January 2021. The effective interest rates ranges from 6.9% to 7.5% per annum.

For certain portion of ABS amounting to RMB36,000,000, at the end of the second year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of ABS may at their options ("Put Option") to sell back the ABS to the Group in whole or in part at face value of their principal amount. The directors considered that the fair value of the Put Option is insignificant on initial recognition and 30 June 2018.

18. Assets Backed Securities Issued (Continued)

The movements of assets backed securities issued during the six months ended 30 June 2018 are set out below:

	RMB'000
At 1 January 2018 (audited)	227,737
Net proceeds on the date of issuance of ABS	98,236
Effective interest expenses	11,316
Repayment of principal	(27,500)
Interest paid	(6,773)
At 30 June 2018 (unaudited)	303,016

Analysis for reporting purpose:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Current	50,028	42,533
Non-current	252,988	185,204
	303,016	227,737

19. Share Capital

	Number of shares	Amount HK$	Equivalent to RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2018 and 30 June 2018	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2018 (audited)	5,762,022,224	576,202,222	497,868
Issue of shares upon exercise of share options	921,680	92,168	77
At 30 June 2018 (unaudited)	5,762,943,904	576,294,390	497,945

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20. Acquisition of Subsidiaries

(a) Acquisition of assets and liabilities through acquisition of subsidiaries

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
鄂州鑫港置業有限公司 Ezhou Xingang Real Estate Co., Ltd.	PRC	February 2018	100%	364,436
南京星潤置業有限公司 Nanjing Xingrun Real Estate Co., Ltd.	PRC	February 2018	100%	266,100
武漢欣城開實業有限公司 Wuhan Xinchengkai Real Estate Co., Ltd.	PRC	April 2018	90%	30,000
唐山金盛房地產開發有限公司 Tangshan Jinsheng Real Estate Co., Ltd.	PRC	May 2018	51%	43,000

During the six months ended 30 June 2018, all the subsidiaries were acquired from independent third parties. The acquisitions were accounted for as acquisitions of assets and liabilities.

Details of the net assets acquired in respect of the above transactions are summarised below:

	RMB'000
Net identifiable assets of the subsidiaries acquired	
Investment properties under development	109,981
Properties under development for sale	1,921,145
Trade and other receivables	979
Bank balances and cash	24,799
Trade and other payables	(1,349,815)
	707,089
Less: non-controlling interests	(3,553)
	703,536

The trade and other receivables acquired with a fair value of RMB979,000 as at the dates of acquisition had gross contractual amounts of RMB979,000, with no significant contractual cash flows not expected to be collected.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as expenses during the six months ended 30 June 2018 incurred within the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

20. Acquisition of Subsidiaries (Continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (Continued)

	RMB'000
Total consideration satisfied by:	
Cash	84,100
Deposits paid for in prior years	575,000
Consideration payables due within one year included in trade and other payables	44,436
	703,536

The non-controlling interests arising from the acquisition of respective non-wholly owned subsidiaries were measured by reference to the proportionate share of the respective acquiree's net identifiable assets as at the acquisition dates.

	RMB'000
Net cash outflow arising on acquisition:	
Cash consideration paid during the period	(84,100)
Bank balances and cash acquired	24,799
	(59,301)

(b) Acquisition of businesses

During the six months ended 30 June 2018, the Group acquired following subsidiaries at a total consideration of RMB5,589,000. At the time of acquisition, the directors of the Company are of the view that the acquisition constitutes business combination. The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property management.

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
泗陽嘉華物業管理有限公司 Siyang Jiahua Property Management Co., Ltd.	PRC	March 2018	80%	2,580
江蘇志遠物業管理有限公司 Jiangsu Zhiyuan Property Management Co., Ltd.	PRC	March 2018	85%	3,009

20. Acquisition of Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

Details of the net assets acquired and liabilities recognised at the dates of acquisition in respect of the above transactions are summarised below:

	RMB'000
Trade and other receivables	8,662
Amounts due from certain subsidiaries of the Company	1,053
Bank balances and cash	215
Trade and other payables	(2,770)
Amounts due to certain subsidiaries of the Company	(9,828)
	(2,668)

The trade and other receivables and amounts due from certain subsidiaries of the Company acquired with a fair value of RMB9,715,000 as at the dates of acquisition had gross contractual amounts of RMB9,715,000, with no significant contractual cash flows not expected to be collected.

Acquisition-related costs were insignificant and have been excluded from cost of acquisition and were recognised as expenses during the six months ended 30 June 2018 and included in the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

	RMB'000
Goodwill arising on acquisition:	
Consideration satisfied by deposits paid for in prior years	5,589
Add: non-controlling interests	(483)
Less: fair value of net identifiable liabilities acquired	2,668
Goodwill arising on acquisition	7,774

For the six months ended 30 June 2018, goodwill of RMB7,774,000 in relation to the acquisition of subsidiaries under property management segment have been recognised by the Group.

Goodwill arose on the acquisition of subsidiaries, because the cost of the business combination included a control premium. In addition, the consideration paid for the business combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

None of the goodwill arising on the acquisition are expected to be deductible for tax purposes.

The non-controlling interests arising from the acquisition of respective non-wholly owned subsidiaries were measured by reference to the proportionate share of the respective acquirees' net identifiable assets/liabilities at the acquisition dates.

	RMB'000
Net cash inflows arising on acquisition:	
Bank balances and cash acquired	215

21. Disposal of Subsidiaries

(i) In January 2018, the Group disposed of its 100% equity interests in Jiangxi Yinsheng Real Estate Co., Ltd. 江西銀盛房地產開發有限公司 to an independent third party for a consideration of RMB10,000,000, which is engaged in property development in the PRC.

(ii) In May 2018, the Group disposed of its 100% equity interests in Chengdu Yuzhan Xiangyue Industrial Co., Ltd. 成都禦棧香悅實業有限公司, to an independent third party for a consideration of RMB99,079,000, which is engaged in hotel operation.

(iii) In June 2018, the Group disposed of its 61% equity interest in Shenzhen Feigao Zhizhuo Industrial Co., Ltd. 深圳市飛高至卓實業有限公司 to an independent third party for a consideration of RMB884,500,000, which is engaged in property development in the PRC.

Details of the net assets disposed of in respect of these transactions are summarised as below:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Equity instrument designated at FVTOCI	1,300
Property, plant and equipment	74,986
Properties for sale	438,703
Tax recoverable	10,897
Trade and other receivables	43,030
Amounts due from certain subsidiaries of the Company	3,630
Bank balances and cash	15,388
Trade and other payables	(43,073)
Amounts due to certain subsidiaries of the Company	(23,110)
Contract liabilities	(224,718)
Net assets disposed of	297,033

	RMB'000
Gain on disposal of subsidiaries:	
Cash consideration received	624,779
Consideration receivables	368,800
	993,579
Add: non-controlling interests	70,233
Less: net assets disposed of	(297,033)
	766,779
Net cash inflow arising on disposal:	
Cash consideration received	624,779
Bank balances and cash disposed of	(15,388)
	609,391

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22. Operating Lease Commitments

The Group as lessee

At the end of the Reporting Period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	45,739	43,221
In the second to the fifth year inclusive	177,945	169,698
After five years	370,414	375,614
	594,098	588,533

The Group as lessor

At the end of the Reporting Period, the Group has contracted with tenants for the following future minimum lease payments:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	263,895	234,192
In the second to the fifth year inclusive	695,083	650,187
After five years	250,479	220,493
	1,209,457	1,104,872

23. Capital and Other Commitments

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Construction commitments in respect of land use rights and properties for sale contracted for but not provided in the condensed consolidated financial statements	5,850,935	2,417,987
Construction commitments in respect of investment properties contracted for but not provided in the condensed consolidated financial statements	175,043	254,390
Consideration commitments in respect of acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements	59,610	870,720
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	34,895	23,066

24. Share Option Scheme

(a) The Company

The following table discloses movements of the Company's share options held by directors and employees during the six months ended 30 June 2018:

	Number of share options under share option schemes ('000)
Outstanding as at 1 January 2018	85,101
Exercised during the period	(922)
Outstanding as at 30 June 2018	84,179

The Group did not recognise any expense for the six months ended 30 June 2018 and 2017 in relation to share options granted by the Company.

(b) Colour Life

The following table discloses movements of Colour Life's share options held by directors and employees during the six months ended 30 June 2018:

	Number of share options under share option schemes ('000)
Outstanding as at 1 January 2018	80,678
Lapsed during the period	(22)
Exercised during the period	(11,996)
Outstanding as at 30 June 2018	68,660

Colour Life recognised the total expense of RMB6,548,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB22,397,000) in relation to share options granted by Colour Life.

(c) Morning Star

The Group recognised the total expense of RMB520,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB1,106,000) in relation to share options granted by the Morning Star and there is no movement of the share options of Morning Star during the six months ended 30 June 2018.

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25. Contingent Liabilities

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties for sales	8,464,726	7,296,670

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the Reporting Period is recognised as the default risk is low. No value has been recognised at initial recognition and at 30 June 2018.

26. Pledge of Assets

At the end of the Reporting Period, the Group had pledged the following assets to banks as securities against general banking facilities granted to the Group:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Property, plant and equipment	288,135	295,167
Investment properties	3,034,890	2,150,253
Properties for sale	5,363,195	2,139,194
Pledged bank deposits	377,176	377,176
	9,063,396	4,961,790

27. Related Party Disclosures

During the six months ended 30 June 2018, in addition to those disclosed in elsewhere in the condensed consolidated financial statements, the Group had the following significant balances and transactions with related parties:

(a) Related party balances

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Amounts due from non-controlling shareholders of the subsidiaries of the Company		
Non-trade nature	586,376	1,052,812
Amounts due from joint ventures		
Non-trade nature	72,059	362,935
Amounts due from associates		
Non-trade nature	18,284	27,567
Amounts due to joint ventures		
Non-trade nature	274,184	10,000
Amount due to a related party		
Non-trade nature (note)	217,952	–
Amounts due to associates		
Non-trade nature	3,267	13,513

Note: As at 30 June 2018, the balance represented amount due to Shenzhen Colour Pay Network Technology Co., Ltd. 深圳市彩付寶網路技術有限公司("Shenzhen Colour Pay"), of which the controlling shareholder is Mr. Pan Jun, a director and the chief executive officer of the Company.

The above balances as at 30 June 2018 and 31 December 2017 were non-trade in nature, unsecured, interest-free and repayable on demand.

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27. Related Party Disclosures (Continued)

(b) Related party transactions

Related parties	Relationship	Transactions	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Wanxiangmei	A subsidiary of Shenzhen Wanxiang, a previous joint venture of the Group and acquired by the Group and became a subsidiary of the Company since 29 December 2017	Consultancy service fee income	N/A	37,704
Shenzhen Wanxiang	A previous joint venture of the Group and acquired by the Group and became a subsidiary of the Company since 29 December 2017	Management fee income	N/A	3,960
Shenzhen Colour Pay	A company controlled by Mr. Pan Jun, a director and the chief executive officer of the Company	Online promotion service income	25,306	–

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 June 2018 is as follows:

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Short-term benefit	55,766	39,691
Post-employment benefit	4,352	3,457
	60,118	43,148

(d) Others

As at 30 June 2018, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB702,000,000 (31 December 2017: RMB944,000,000) in aggregate.

During the six months ended 30 June 2018, the Group had sold certain properties to its key management personnel of the Group (not including the directors of the Company), at a cash consideration of RMB5,342,000 (six months ended 30 June 2017: nil).

28. Fair Value Measurements of Financial Instruments

The following table gives information about the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 30 June 2018 RMB'000 (unaudited)	Fair value as at 31 December 2017 RMB'000 (audited)	Fair value hierarchy
Financial assets at FVTPL	113,644	234,460	Level 2
Equity instruments designated at FVTOCI	150,635	–	Level 3

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

		30 June 2018		31 December 2017	
	Fair value hierarchy	Carrying amount RMB'000 (unaudited)	Fair value RMB'000	Carrying amount RMB'000 (audited)	Fair value RMB'000
Senior notes	Level 1	15,367,792	14,158,292	13,087,522	13,327,690
Listed corporate bonds	Level 1	3,229,598	3,103,263	3,117,014	3,094,535
Unlisted corporate bonds	Level 3	3,194,553	3,225,921	3,600,406	3,640,712
Assets backed securities issued	Level 3	303,016	296,408	227,737	235,251

Deloitte. 德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 103 to 240, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of properties for sale	
We identified the valuation of properties for sale as a key audit matter due to the significant estimates involved in the determination of net realisable value (the "NRV") of the properties for sale. As disclosed in note 26 to the consolidated financial statements, the Group had properties under development for sale of RMB19,068,179,000 and completed properties for sale of RMB4,709,787,000 (collectively referred to as the "properties for sale") as at 31 December 2017, which are situated in the People's Republic of China (the "PRC"). Certain residential properties and carparks of the Group are not located in the downtown with the slim profit margins which indicate possible potential impairment loss on the properties for sale. As disclosed in note 4 to the consolidated financial statements, the properties for sale are stated at the lower of cost and the NRV. The NRV is determined by reference to the estimated selling prices of the properties for sale, which takes into account a number of factors including the latest market prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC, less estimated selling expenses and estimated cost to completion. The management assessed the NRV of the properties with possible potential impairment indication with reference to the valuations carried out by an independent qualified professional valuer not connected with the Group ("the Valuer"). Based on the management's analysis of the property for sale, no write-downs were considered to be necessary in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.	Our procedures in relation to assessing management's assessment of the valuation of the properties for sale included: • Assessing the management's process of reviewing the budgeted cost of the properties for sales and the determination of the NRV of properties for sales; • Evaluating the reasonableness of the estimated cost to completion of the properties under development for sale, on a sample basis, by comparing it to the actual development cost of similar completed properties and comparing the adjustments made by the management to current market data; • Assessing the appropriateness of the estimated selling prices of the properties for sale used by the management with reference to the latest market prices achieved in the same projects or by comparable properties, including an evaluation of the appropriateness of the comparable properties used by the management of the Group based on our knowledge of the Group's business and the PRC real estate industry; • Obtaining the valuation reports provided by the Valuers for the residential properties and carparks with possible potential impairment indication and comparing the carrying amounts of the aforesaid residential properties and carparks to the corresponding valuation amounts; • Assessing the competence, capabilities and objectivity of the Valuer; and • Obtaining the detailed work of the Valuer on the residential properties and carparks with possible potential impairment indication to evaluate the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables arose from sales of properties	
We identified the recoverability of trade receivables arose from sales of properties as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole, combined with the significant degree of estimation by the management, in considering the estimation of collection which may affect the carrying value of the Group's trade receivables in assessing the recoverability of trade receivables. As at 31 December 2017, the carrying amounts of the Group's trade receivables arose from sales of properties are RMB1,007,710,000, as disclosed in note 27 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Based on the management's analysis of estimated impairment of trade receivables arose from sale of properties, no allowance for bad and doubtful debts was considered to be necessary in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.	Our procedures in relation to assessing the recoverability of trade receivables arose from sales of properties included: • Assessing the management's process of reviewing the recoverability of trade receivables arose from sales of properties; • Assessing the management's process in determining present value of estimated future cash flows of trade receivables arose from sales of properties with reference to the relevant terms of the sales and purchase agreements; • Obtaining the aging analysis of trade receivables arose from sales of properties and discussing with the management the actions they have taken to recover the long outstanding debts; • Checking the terms set out in the sales and purchase agreements regarding sale by mortgage, on a sample basis, and obtaining mortgage approval documents from the banks to substantiate the unconditional approval of mortgage facilities granted by the banks to the property buyers; and • Checking the terms set out in the sales and purchase agreements regarding sale by instalments, on a sample basis, and agreeing the settlement of receivables from sales of properties by instalments to supporting documentation including bank statements and bank slips.

Key audit matter	How our audit addressed the key audit matters
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the estimates associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the investment properties of the Group mainly represent commercial buildings, offices and carparks located in the PRC and carried at RMB10,194,164,000 as at 31 December 2017, including completed investment properties of RMB8,704,339,000 and investment properties under construction of RMB1,489,825,000, which represent 14.8% of the Group's total assets. Change in fair value of investment properties of RMB966,184,000 and recognition of change in fair value of completed properties for sale upon transfer to investment properties of RMB118,589,000 were recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. All of the Group's investment properties are stated at fair value based on valuations performed by the Valuer. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations of the completed investment properties are dependent on certain key inputs, including term yield, reversionary yield, vacancy ratio and adjustment made to account for differences in location. The valuations of investment properties under construction are dependent on gross development value, developer's profit, marketing costs, construction costs to completion, and market unit sales rate.	Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included: • Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approach to assess if they are consistent with the requirements of HKFRSs and industry norms; • Obtaining the detailed work of the Valuer, particularly the key inputs to the valuation on completed investment properties including but not limited to the comparable market prices of properties, term yield, reversionary yield of rental income and vacancy ratio; and the key inputs to the valuation on investment properties under construction including but not limited to the gross development value, developer's profit, marketing costs, construction costs to completion; • Evaluating the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC; • Obtaining the latest budget for construction and other costs of investment properties under construction and checking to the information obtained by the Valuer for the valuation; and • Evaluating the sensitivity analysis prepared by the management on the key inputs to evaluate the magnitude of their impacts on the fair values and assessing the appropriateness of the disclosures relating to these sensitivities.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising on acquisition of businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill has been allocated. As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and cash inflows/outflows including revenue, gross profit and operating expenses estimated. As disclosed in note 18 to the consolidated financial statements, the carrying amount of goodwill was RMB2,299,758,000 representing 3.3% of total assets of the Group, the balance of impairment was RMB81,574,000 as at 31 December 2017 and the impairment loss of RMB50,058,000 was recognised by the management of the Group during the year ended 31 December 2017.	Our procedures in relation to the impairment assessment of goodwill included: • Discussing with the management to understand the key estimations made by the management in the impairment assessment of goodwill including the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated; • Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows, including revenue, gross profit and operating expenses estimated, based on the Group's historical financial performance; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data; and • Evaluating the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sales of properties	
We identified revenue recognised from sales of properties as a key audit matter as the revenue from sales of properties is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and there is judgment involved in determining the appropriate point at which to recognise revenue from sales of properties. As disclosed in note 3 to the consolidation financial statements, revenue from sales of properties in the PRC is recognised when the properties are completed and delivered to the buyers pursuant to the relevant terms of sales and purchase agreements. The Group recognised revenue of RMB6,598,470,000 from sales of properties for the year ended 31 December 2017, which is disclosed in note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognised from sales of properties included: • Assessing the management's process and control over the point of time at which revenue from sales of properties is recognised; • Evaluating the terms set out in the sales and purchase agreements, and assessing whether the significant risks and rewards of ownership of the properties have been transferred to the buyers by reviewing the relevant documents including completion certificates and delivery notices, on a sample basis; and • Performing physical inspection on the inventory of properties and examining the completion certificates, on a sample basis, and checking if the properties were completed.

Key audit matter	How our audit addressed the key audit matter
Intangible assets arising from acquisition of Wanxiangmei Property Management Co., Ltd ("Wanxiangmei")	
We identified the accounting for acquisition of Wanxiangmei as a key audit matter due to the significant degree of estimation made by the management of the Group in accordance with HKFRS 3 "Business Combinations" ("HKFRS 3"). As disclosed in note 46 to the consolidated financial statements, the consideration in relation to the intangible assets arising from acquisition of Wanxiangmei was RMB1,039,214,000. In the application of HKFRS 3, the management applied significant estimations in assessing the fair values of the identifiable net assets acquired at the date of acquisition, including the estimates in calculating the fair value of intangible assets and the liabilities assumed. The fair value of intangible assets of RMB1,039,214,000 acquired in acquisition of Wanxiangmei are based on the valuation performed by the Valuer.	Our procedures in relation to assessing the appropriateness of the accounting for the acquisition included: • Obtaining an understanding of how the management accounted for this acquisition under HKFRS 3; • Discussing with the management the key estimates adopted by the management in assessing the fair values of the identifiable net assets acquired and the liabilities assumed at the date of acquisition, including the growth rates, discount rates and expected future cash inflows/outflows; • Evaluating the appropriateness of the discount rates by comparing them to economic and industry data; • Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows based on the Group's past experience; • Evaluating the Valuer's competence, capabilities and objectivity; and • Involving our internal valuation experts to evaluate the valuation techniques and reasonableness of the significant inputs, on a sample basis, used by the Valuer for the calculation of the fair values of the intangible assets acquired in the business combination.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 THE 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2018

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	5	9,782,568	10,920,638
Cost of sales and services		(6,884,964)	(7,392,156)
Gross profit		2,897,604	3,528,482
Other income, gains and losses	6	1,009,049	(585,172)
Change in fair value of investment properties	14	966,184	405,076
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	26	118,589	478,005
Selling and distribution expenses		(417,872)	(222,772)
Administrative expenses		(1,229,847)	(851,273)
Finance costs	7	(1,279,587)	(932,238)
Share of results of associates		8,843	(2,528)
Share of results of joint ventures		167,670	48,504
Gain on disposal of subsidiaries	47(a) and (c)	326,285	640,080
Profit before tax	8	2,566,918	2,506,164
Income tax expense	9	(1,157,207)	(1,441,816)
Profit for the year		1,409,711	1,064,348
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		(8,035)	(22,974)
Income tax relating to items that will not be reclassified to profit or loss		2,009	5,743
Other comprehensive expense for the year, net of income tax		(6,026)	(17,231)
Total comprehensive income for the year		1,403,685	1,047,117
Profit for the year attributable to:			
Owners of the Company		1,154,316	805,736
An owner of perpetual capital instrument		–	37,550
Other non-controlling interests		255,395	221,062
		1,409,711	1,064,348
Total comprehensive income for the year attributable to:			
Owners of the Company		1,150,710	795,426
An owner of perpetual capital instrument		–	37,550
Other non-controlling interests		252,975	214,141
		1,403,685	1,047,117
Earnings per share – basic (RMB)	12	0.20	0.14
Earnings per share – diluted (RMB)	12	0.20	0.14

At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,611,084	2,078,272
Investment properties	14	10,194,164	6,981,839
Interests in associates	15	1,174,908	735,336
Interests in joint ventures	16	1,060,057	951,667
Available-for-sale investments	17	117,663	30,215
Goodwill	18	2,299,758	912,750
Intangible assets	19	1,319,901	259,248
Prepaid lease payments	20	754,720	1,765,515
Premium on prepaid lease payments	21	1,268,992	1,592,486
Other receivables	27	167,624	244,038
Deposits paid for potential acquisitions of subsidiaries	22	799,606	267,130
Deposit paid for acquisition of a property project	23	159,214	159,073
Deposits paid for acquisitions of land use rights	24	118,103	1,095,077
Deferred tax assets	25	461,990	466,577
		22,507,784	17,539,223
CURRENT ASSETS			
Properties for sale	26	23,777,966	15,347,979
Inventories		194,655	80,414
Prepaid lease payments	20	18,228	48,151
Premium on prepaid lease payments	21	19,233	28,744
Trade and other receivables	27	4,129,404	4,604,211
Amounts due from customers for contract works	28	104,079	73,627
Tax recoverable		85,990	96,458
Amounts due from non-controlling shareholders of the subsidiaries of the Company	29	1,052,812	82,330
Amounts due from joint ventures	30	362,935	355,775
Amounts due from associates	31	27,567	–
Amounts due from related parties	32	–	233,726
Financial assets at fair value through profit or loss ("FVTPL")	33	234,460	127,275
Restricted/pledged bank deposits	34	2,106,552	1,997,824
Bank balances and cash	34	14,335,075	9,136,526
		46,448,956	32,213,040
CURRENT LIABILITIES			
Trade and other payables	35	9,282,468	4,445,008
Deposits received for sale of properties		5,503,060	2,817,149
Amounts due to customers for contract works	28	13,778	16,746
Amount due to a non-controlling shareholder of the Company	36	–	310,438
Amounts due to joint ventures	37	10,000	294,157
Amounts due to associates	38	13,513	1,061,338
Tax liabilities		4,431,080	4,151,634
Borrowings due within one year	39	3,022,026	929,458
Obligations under finance leases	40	51,693	23,610
Senior notes and bonds	41	4,484,610	1,575,183
Assets backed securities issued	42	42,533	37,642
Defined benefit obligations	43	220	5,171
Provisions	44	40,131	37,154
		26,895,112	15,704,688
NET CURRENT ASSETS		19,553,844	16,508,352
TOTAL ASSETS LESS CURRENT LIABILITIES		42,061,628	34,047,575

At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	1,754,528	1,236,629
Borrowings due after one year	39	6,841,619	2,438,008
Obligations under finance leases	40	259,299	88,538
Senior notes and bonds	41	15,320,332	16,804,442
Assets backed securities issued	42	185,204	237,442
Defined benefit obligations	43	2,615	121,781
		24,363,597	20,926,840
NET ASSETS		17,698,031	13,120,735
CAPITAL AND RESERVES			
Share capital	45	497,868	497,848
Reserves		12,139,049	10,457,503
Equity attributable to owners of the Company		12,636,917	10,955,351
Non-controlling interests		5,061,114	2,165,384
		17,698,031	13,120,735

The consolidated financial statements on pages 103 to 240 are approved and authorised for issue by the Board of Directors on 19 March 2018 and are signed on its behalf by:

PAN JUN
EXECUTIVE DIRECTOR

LAM KAM TONG
EXECUTIVE DIRECTOR

For the year ended 31 December 2017

	Attributable to owners of the Company										Attributable to non-controlling interests					
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Share options reserve RMB'000 (note iii)	Contribution reserve RMB'000 (note iv)	Statutory reserves RMB'000 (note v)	Discretionary reserves RMB'000 (note v)	Revaluation reserve RMB'000 (note vi)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share options reserve of Colour Life RMB'000	Share options reserve of Morning Star RMB'000	Other non-controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
At 1 January 2016	497,797	2,200,190	246,141	17,933	40,600	59,183	1,477	20,368	7,324,802	10,408,491	710,500	118,114	28	1,002,904	1,831,546	12,240,037
Profit for the year	–	–	–	–	–	–	–	–	805,736	805,736	37,550	–	–	221,062	258,612	1,064,348
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	(13,746)	–	(13,746)	–	–	–	(9,228)	(9,228)	(22,974)
Deferred taxation liability arising from remeasurement of defined benefit obligations	–	–	–	–	–	–	–	3,436	–	3,436	–	–	–	2,307	2,307	5,743
Other comprehensive expense for the year	–	–	–	–	–	–	–	(10,310)	–	(10,310)	–	–	–	(6,921)	(6,921)	(17,231)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(10,310)	805,736	795,426	37,550	–	–	214,141	251,691	1,047,117
Issue of shares upon exercise of share option	51	706	–	(342)	–	–	–	–	–	415	–	–	–	–	–	415
Dividend distributed to shareholders of the Company (note 11)	–	(255,793)	–	–	–	–	–	–	–	(255,793)	–	–	–	–	–	(255,793)
Recognition of equity-settled share-based payments (note 53)	–	–	–	–	–	–	–	–	–	–	–	79,041	2,914	–	81,955	81,955
Acquisition of subsidiaries (note 46 (a) and (b))	–	–	–	–	–	–	–	–	–	–	–	–	–	538,149	538,149	538,149
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	(177)	–	–	–	–	–	–	(177)	–	–	–	(109)	(109)	(286)
Deemed partial disposal of interest in a subsidiary without loss of control	–	–	6,989	–	–	–	–	–	–	6,989	–	–	–	64,770	64,770	71,759
Redemption of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(700,000)	–	–	–	(700,000)	(700,000)
Distribution to a holder of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(48,050)	–	–	–	(48,050)	(48,050)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,473)	(5,473)	(5,473)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	159,915	159,915	159,915
Shares repurchase under the share award scheme of Colour Life (note vii)	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,010)	(9,010)	(9,010)
Transfer	–	–	–	–	–	13,591	–	–	(13,591)	–	–	–	–	–	–	–
At 31 December 2016	497,848	1,945,103	252,953	17,591	40,600	72,774	1,477	10,058	8,116,947	10,955,351	–	197,155	2,942	1,965,287	2,165,384	13,120,735
Profit for the year	–	–	–	–	–	–	–	–	1,154,316	1,154,316	–	–	–	255,395	255,395	1,409,711
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	(4,808)	–	(4,808)	–	–	–	(3,227)	(3,227)	(8,035)
Deferred taxation liability arising from remeasurement of defined benefit obligations	–	–	–	–	–	–	–	1,202	–	1,202	–	–	–	807	807	2,009
Other comprehensive expense for the year	–	–	–	–	–	–	–	(3,606)	–	(3,606)	–	–	–	(2,420)	(2,420)	(6,026)

For the year ended 31 December 2017

	Attributable to owners of the Company										Attributable to non-controlling interests					
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Share options reserve RMB'000 (note iii)	Contribution reserve RMB'000 (note iv)	Statutory reserves RMB'000 (note v)	Discretionary reserves RMB'000 (note v)	Revaluation reserve RMB'000 (note vi)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share options reserve of Colour Life RMB'000	Share options reserve of Morning Star RMB'000	Other non-controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(3,606)	1,154,316	1,150,710	–	–	–	252,975	252,975	1,403,685
Issue of shares upon exercise of share option	20	201	–	(57)	–	–	–	–	–	164	–	–	–	–	–	164
Dividend distributed to shareholders of the Company (note 11)	–	(250,049)	–	–	–	–	–	–	–	(250,049)	–	–	–	–	–	(250,049)
Recognition of equity-settled share-based payments (note 53)	–	–	–	–	–	–	–	–	–	–	–	45,303	1,913	–	47,216	47,216
Acquisition of subsidiaries (note 46 (a) and (b))	–	–	–	–	–	–	–	–	–	–	–	–	–	94,791	94,791	94,791
Disposal of subsidiaries (note 47(a))	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,193)	(1,193)	(1,193)
Deemed disposal of partial interests in subsidiaries without loss of control (note 47(b))	–	–	780,741	–	–	–	–	–	–	780,741	–	–	–	2,521,869	2,521,869	3,302,610
Disposal of partial interest in a subsidiary resulting in loss of control (note 47(c))	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,106)	(1,106)	(1,106)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(55,832)	(55,832)	(55,832)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	55,797	55,797	55,797
Cancelled upon repurchase of shares of Colour life	–	–	–	–	–	–	–	–	–	–	–	–	–	(18,787)	(18,787)	(18,787)
Transfer	–	–	–	–	–	12,956	–	–	(12,956)	–	–	–	–	–	–	–
At 31 December 2017	497,868	1,695,255	1,033,694	17,534	40,600	85,730	1,477	6,452	9,258,307	12,636,917	–	242,458	4,855	4,813,801	5,061,114	17,698,031

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company (as defined in note 1) is permitted to pay out dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represented the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.

(iii) Share options reserve represented the share-based payment under the Company's share option scheme.

(iv) Contribution reserve represented (a) the contribution/distribution to shareholders during the group reorganisation in 2009; (b) the difference between consideration paid and fair value of net assets acquired from related parties; (c) the difference between the consideration received and carrying amount of net assets disposed of to related parties during the Group reorganisation in 2009; and (d) the waiver of shareholder loans in 2009.

(v) The statutory reserve and discretionary reserve attributable to subsidiaries in the People's Republic of China (the "PRC") are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and transfer to capital upon approval from the relevant authorities.

(vi) Revaluation reserve represented surplus arose from the transfer of owner-occupied property to investment properties at the date of change in use and remeasurement of defined benefit obligations.

(vii) On 4 July 2016, a share award scheme was adopted by Colour Life Service Group Co., Limited ("Colour Life"), a non-wholly owned subsidiary of the Company with its shares listed on The Stock Exchange of Hong Kong Limited (the "SEHK"), to certain employees and consultants of Colour Life ("Grantees") as incentives or rewards for their contribution or potential contribution to Colour Life. The shares to be awarded are repurchased and held by an independent trustee appointed by Colour Life ("Trustee"). As at 31 December 2016, 1,607,000 shares of Colour Life have been repurchased by the Trustee under the share award scheme and the total consideration for acquisition of the aforesaid shares were RMB9,010,000, which was recognised as a deduction to the other non-controlling interests. As at 31 December 2017, the shares held for the share award scheme have not been awarded to Grantees.

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	2,566,918	2,506,164
Adjustments for:		
Change in fair value of investment properties	(966,184)	(405,076)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	(118,589)	(478,005)
Change in fair value of financial assets at FVTPL	(4,457)	(2,828)
Release of prepaid lease payments	19,218	14,487
Release of premium on prepaid lease payments	23,990	17,874
Amortisation of intangible assets	32,199	26,604
Depreciation of property, plant and equipment	176,906	174,102
Share-based payment expenses	47,216	81,955
Loss on disposal of property, plant and equipment	3,146	4,364
Gain on disposal of subsidiaries	(326,285)	(640,080)
Gain on remeasurement of interests in joint ventures and available-for-sale investments	(562,719)	–
Allowance for bad and doubtful debts	62,012	40,771
Impairment of goodwill	50,058	–
Interest income	(88,631)	(33,260)
Investment income from land development	–	(5,787)
Finance costs	1,279,587	902,550
Loss on early redemption of senior notes	116,933	29,688
Net foreign exchange (gain) loss	(598,535)	665,820
Share of results of associates	(8,843)	2,528
Share of results of joint ventures	(167,670)	(48,504)
Operating cash flows before movements in working capital	1,536,270	2,853,367
Additions to prepaid lease payments	(45,001)	(1,073,311)
(Increase) decrease in properties for sale	(2,403,994)	3,581,379
Increase in inventories	(114,241)	(15,190)
Increase in deposits paid for acquisition of land use rights	–	(45,000)
Decrease (increase) in trade and other receivables	1,035,368	(971,898)
(Increase) decrease in amounts due from customers for contract works	(30,452)	15,310
Increase in amounts due from related parties	(31,747)	(30,623)
Increase in amount due from a joint venture	–	(1,369)
Decrease in amounts due to customers for contract works	(2,968)	(395)
Increase (decrease) in trade and other payables	1,316,608	(1,663,250)
Increase in provisions	2,977	22,281
Decrease in defined benefit obligations	(133,527)	(981)
Increase (decrease) in deposits received for sale of properties	2,226,994	(2,447,922)
Cash generated from operations	3,356,287	222,398
Income tax paid	(540,181)	(571,075)
Interest paid	(2,134,451)	(1,508,386)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	681,655	(1,857,063)

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Deposit paid for acquisition of a property project		(141)	(18,127)
Increase in restricted/pledged bank deposits		(108,728)	(661,342)
Settlement of consideration payables and amount due to a non-controlling shareholder of the Company on acquisition of assets and liabilities through acquisition of subsidiaries and acquisition of businesses		(479,821)	(565,605)
Settlement of consideration receivables of disposal of subsidiaries		358,000	761,000
Purchases of property, plant and equipment		(502,890)	(213,879)
Additions to investment properties		(1,721,268)	(294,229)
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	46(a)	(835,525)	(755,602)
Acquisition of businesses (net of cash and cash equivalents acquired)	46(b)	914,973	(616,089)
Deposits paid for potential acquisitions of subsidiaries		(635,737)	(88,692)
Refund of deposits paid for acquisition of a subsidiaries		849	38,000
Investments in associates		(387,085)	(64,000)
Investments in joint ventures		(442,081)	(111,119)
Dividend received from a joint venture		10,396	–
Interest received		88,631	33,260
Proceeds from disposal of property, plant and equipment		6,314	7,671
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	47(a)	342,649	1,607,646
Disposal of partial interests in subsidiaries resulting in loss of control	47(c)	611,053	204,862
Advance of loan receivables		(71,611)	(330,250)
Repayment of loan receivables		322,017	3,000
Purchase of available-for-sale investments		(107,951)	(20,200)
Settlement of receivable from the Pixian Government		–	390,000
Settlement of receivable from the Chengdu Government		5,061	420,000
Proceeds from disposal of investment properties		867,448	1,051,689
Advances to joint ventures		(7,160)	(1,936,431)
Advances to associates		(121,398)	–
Advance to related parties		–	(18,321)
Advances to non-controlling shareholders of the subsidiaries of the Company		(82,932)	(49,951)
Repayment from joint ventures		–	407,027
Repayment from associates		15,365	–
Repayment from related parties		265,473	1,523,228
Repayment from non-controlling shareholders of the subsidiaries of the Company		12,450	9,570
Repayment from certain former subsidiaries		–	323,340
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,683,649)	1,036,456

For the year ended 31 December 2017

	NOTE	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes and bonds		5,419,191	9,304,790
Repayment of senior notes		(1,454,238)	(1,000,000)
Redemption of senior notes		(2,140,294)	(388,227)
Net proceeds from the issuance of assets backed securities		–	284,930
Repayment of principal receipts under securitisation arrangements		(51,250)	(12,500)
Contribution from non-controlling shareholders of the subsidiaries		55,797	159,915
Dividend paid to non-controlling shareholders of the subsidiaries		(55,832)	(5,473)
Deemed disposal of partial interests in subsidiaries without loss of control	47(b)	2,402,610	71,759
New borrowings raised		7,215,981	2,312,760
Repayment of borrowings		(3,400,951)	(2,988,388)
Distribution to an owner of perpetual capital instrument		–	(48,050)
Redemption of perpetual capital instrument		–	(700,000)
Dividend paid to shareholders of the Company		(250,049)	(255,793)
Acquisition of additional interest in subsidiaries		–	(286)
Repayment of obligations under finance leases		(27,780)	(49,640)
Issue of share upon exercise of share option		164	415
Repurchase of shares under shares award scheme of Colour Life		(18,787)	(9,010)
Advances from joint ventures		24,500	390,842
Advances from associates		9,700	1,061,338
Repayments to joint ventures		(307,977)	(1,126,700)
Repayments to associates		(1,057,897)	–
NET CASH FROM FINANCING ACTIVITIES		6,362,888	7,002,682
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,360,894	6,182,075
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		9,136,526	2,881,511
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(162,345)	72,940
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		14,335,075	9,136,526

For the year ended 31 December 2017

1. GENERAL

Fantasia Holdings Group Co., Limited (the "Company") is a limited company incorporated in Cayman Islands and its shares are listed on the SEHK. Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 57.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRS 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidation financial statements.

Amendments to HKAS 7 disclosures initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flow from those financial assets were or future cash flow will be included in cash flows from financing activities.

Specially, the amendments require the following to be disclosed(i) changes from financing cash flows; (ii) changes arising from obtaining or loss control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 48. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the addition disclosure in note 48, the application of these amendments has had no impact on the Group's consolidated financial statements.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

Except as described below, the directors of the Company do not anticipate that the application of other new and revised HKFRSs and interpretation issued but not yet effective, will have a material effect on the Group's consolidated financial statements in the foreseeable future.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 17: these securities qualified for designation as FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with the fair value gains or losses and the deferred tax effect of the fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial recognition of HKFRS 9, the directors of the Company consider that no significant fair value gain or losses on unlisted equity investments would be adjusted to investments revaluation reserve as at 1 January 2018.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 "Financial Instruments" (continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

HKFRS 15 "Revenue from contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 15 "Revenue from contracts with Customers" (continued)

The directors of the Company have assessed the impact on application of HKFRS 15 and anticipate an impact on revenue and cost of sales and services from the sale of properties in the following areas:

- The Group has considered all the relevant facts and circumstances in assessing whether the property sales contacts contain significant financing component, including the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transfers the property to the customer and the customer pays for the property and the prevailing interest rates in the relevant market. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers.

- Currently, the Group expensed off the costs associated with obtaining the property sales contracts with customers. Under the requirement of HKFRS 15, incremental costs of obtaining a contract is eligible for capitalisation as deferred contract costs if they meet certain criteria. Accordingly, the directors of the Company expect a recognition of deferred contract costs amounting to RMB111,000,000, resulting in increase in opening retained profit and recognition of deferred tax liabilities at 1 January 2018.

In addition, the application of HKFRS 15 in future may result in more disclosures in the consolidated financial statements.

The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 January 2018.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presented upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 16 "Leases" (continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group as lessee has non-cancellable operating lease commitments of RMB588,533,000 as disclosed in note 51. A preliminary assessment indicated that these arrangements will meet the definition of a lease. Upon application of HKFRS16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term.

In addition, the Group currently considers refundable rental deposits paid of RMB12,028,000 and refundable rental deposits received of RMB24,102,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the stock exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A fair value measurement of a non-financial asset take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquire or share- based payment arrangement of the Group entered into to replace share- based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share- based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent periods.

On disposal of the relevant cash- generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal (or any of the cash-generating units within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for the goodwill arising on the acquisition of an associate and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "*Impairment of Assets*" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, other similar allowances and sale-related tax in the PRC.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sale of properties

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

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

Agency fee, service income, management fee, parking fee and consultation fee are recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Construction contract revenue

Where the outcome of the construction contract revenue can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Construction contract revenue (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received included in other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Hotel operation

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

Interest income

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner occupied purpose

When buildings are in the course of development for production, or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs and interest expense incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an assets individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating units) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties for sale

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

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

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

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables, financial assets at FVTPL and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, (ii) it is at FVTPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gain and losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investment or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables (non-current), trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties, restricted/pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company or its subsidiaries are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Senior notes and bonds and assets backed securities issued

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

Bonds and assets backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and assets backed securities issued are recognised at fair value.

In subsequent periods, the liability component of the senior notes, bonds and assets backed securities issued are carried at amortised cost using the effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bonds and assets backed securities issued are included in the carrying amount of the senior notes and bonds and assets backed securities issued and amortised over the period of the senior notes and bonds and assets backed securities issued using the effective interest method.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, amounts due to a non-controlling shareholder of the Company, joint ventures and associates and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options scheme

Equity-settled share-based payments to employees are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share option reserve).At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When the Group makes payments for a property interest which a lease includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted for as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance leases.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale or for use in the production or supply of goods or services, and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of development of projects for sale whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of assets and liabilities through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line items of administrative expenses and finance costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from services cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As at 31 December 2017, the carrying amount of deferred taxation on investment properties is RMB1,403,903,000 (2016: RMB1,112,839,000).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB23,777,966,000 (2016: RMB15,347,979,000). Cost, including the cost of land, development expenditures, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on saleable gross floor area, using the weighted average method. The net realisable value is the estimated selling price (based on prevailing real estate market conditions in the PRC) less estimated selling expenses and estimated cost to completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale.

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivable was RMB2,081,969,000 (2016: RMB1,720,333,000), net of allowance for bad and doubtful debts of RMB188,952,000 (2016: RMB132,372,000).

Fair value measurements and valuation processes

The investment properties of the Group amounting to RMB10,194,164,000 (2016: RMB6,981,839,000) are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Note 14 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rate and cash inflows/outflows including revenue, gross profit and operating expenses estimated. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of expected future cash inflows due to unfavourableness, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill was approximately RMB2,299,758,000 (2016: RMB912,750,000) net of accumulated impairment loss of RMB81,574,000 (2016: RMB31,516,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount which is the higher of fair value less costs of disposal and value in use of the cash-generating units to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of intangible assets net of accumulated impairment loss was RMB1,319,901,000 (2016: RMB259,248,000).

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the LAT based on the management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with the local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable upon the disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the tax losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies. As at 31 December 2017, the carrying amount of deferred tax assets recognised for unused tax losses was RMB151,538,000 (2016: RMB149,639,000).

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sales of the properties, these costs are accrued by the Group based on the management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phase based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	2017 RMB'000	2016 RMB'000
Sales of properties	6,598,470	8,365,954
Rental income	243,187	241,778
Property agency services	57,967	26,770
Property operation services	2,015,378	1,652,123
Hotel operations	134,033	113,867
Others	733,533	520,146
	9,782,568	10,920,638

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by different type of products sold and services rendered.

The Group has six reportable and operating segments as follows:

Property development	–	developing and selling of commercial and residential properties in the PRC
Property investment	–	leasing of commercial and residential properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation services and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sale and other ancillary services
Others	–	provision of travel agency services and manufacturing and sale of fuel pumps

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of interest income, net exchange gain (loss), change in fair value of financial assets at FVTPL, share-based payment expenses, finance costs, share of results of associates and joint ventures, gain on disposal of subsidiaries and gain on remeasurement of interests in joint ventures and available-for-sale investment, loss on early redemption of senior notes, central administration costs and directors' salaries. This is a measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, available-for-sale investments, amounts due from non-controlling shareholders of the subsidiaries of the Company, associates, joint ventures and related parties, financial assets at FVTPL, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For 31 December 2017

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	6,598,470	243,187	57,967	2,015,378	134,033	733,533	9,782,568
Inter-segment revenues	15,970	–	–	84,327	–	–	100,297
Segment results	877,444	1,088,765	23,036	504,902	(5,802)	(171,252)	2,317,093
Segment assets	27,731,514	10,354,247	16,391	6,351,341	1,089,959	2,483,425	48,026,877
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	473,440	2,542,869	30	2,764,961	9,782	163,178	5,954,260
Change in fair value of investment properties	–	966,184	–	–	–	–	966,184
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	118,589	–	–	–	–	–	118,589
Release of prepaid lease payments	18,200	–	–	–	1,018	–	19,218
Release of premium on prepaid lease payments	23,990	–	–	–	–	–	23,990
Impairment of goodwill	–	–	–	–	–	50,058	50,058
Amortisation of intangible assets	–	–	–	28,703	–	3,496	32,199
Depreciation of property, plant and equipment	49,939	1,178	1,960	42,112	35,084	41,903	172,176
Loss on disposal of property, plant and equipment	–	–	–	3,146	–	–	3,146
Allowance for bad and doubtful debts	11,840	–	–	50,172	–	–	62,012

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

For 31 December 2016

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	8,365,954	241,778	26,770	1,652,123	113,867	520,146	10,920,638
Inter-segment revenues	17,833	–	–	115,969	–	–	133,802
Segment results	2,657,688	582,346	10,637	405,096	(5,112)	(44,781)	3,605,874
Segment assets	22,327,069	7,217,642	10,859	2,911,791	1,078,297	2,128,935	35,674,593
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	1,201,428	300,730	113	307,133	19,158	1,643,796	3,472,358
Change in fair value of investment properties	–	405,076	–	–	–	–	405,076
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	478,005	–	–	–	–	–	478,005
Release of prepaid lease payments	12,514	–	–	–	1,973	–	14,487
Release of premium on prepaid lease payments	17,874	–	–	–	–	–	17,874
Amortisation of intangible assets	–	–	–	23,107	–	3,497	26,604
Depreciation of property, plant and equipment	49,216	1,128	1,941	41,935	35,454	39,839	169,513
Loss on disposal of property, plant and equipment	–	–	–	4,364	–	–	4,364
Allowance for bad and doubtful debts	11,771	–	–	29,000	–	–	40,771

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets exclude interests in associates and joint ventures, available-for-sale investments, deposits paid for acquisitions of land use rights, subsidiaries and a property project, other receivables (non-current) and deferred tax assets.

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5. REVENUE AND SEGMENT INFORMATION (continued)

Reconciliation:

	2017 RMB'000	2016 RMB'000
Revenue:		
Total revenue for operating and reportable segments	9,882,865	11,054,440
Elimination of inter-segment revenues	(100,297)	(133,802)
Group's total revenue	9,782,568	10,920,638
Total segment results	2,317,093	3,605,874
Elimination of inter-segment results	(13,470)	(32,020)
Unallocated amounts:		
Interest income	88,631	33,260
Net exchange gain (loss)	598,535	(665,820)
Change in fair value of financial assets at FVTPL	4,457	2,828
Share-based payment expenses	(47,216)	(81,955)
Finance costs	(1,279,587)	(932,238)
Share of results of associates	8,843	(2,528)
Share of results of joint ventures	167,670	48,504
Gain on disposal of subsidiaries	326,285	640,080
Gain on remeasurement of interests in joint ventures and available-for-sale investment	562,719	–
Loss on early redemption of senior notes	(116,933)	(29,688)
Other unallocated expenses	(50,109)	(80,133)
Profit before tax	2,566,918	2,506,164

	2017 RMB'000	2016 RMB'000
Assets:		
Total assets for operating and reportable segments	48,026,877	35,674,593
Unallocated assets:		
Interests in associates	1,174,908	735,336
Interests in joint ventures	1,060,057	951,667
Available-for-sale investments	117,663	30,215
Amounts due from non-controlling shareholders of the subsidiaries of the Company	1,052,812	82,330
Amounts due from associates	27,567	–
Amounts due from joint ventures	362,935	355,775
Amounts due from related parties	–	233,726
Financial assets at FVTPL	234,460	127,275
Restricted/pledged bank deposits	2,106,552	1,997,824
Bank balances and cash	14,335,075	9,136,526
Other unallocated corporate assets	457,834	426,996
Group's total assets	68,956,740	49,752,263

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC, Singapore and the United States of America (the "USA").

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

Reconciliation: (continued)

During the years ended 31 December 2017 and 2016, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

As the Group's segment liabilities are not regularly reviewed by the chief operating decision makers, the liabilities for each operating segment is therefore not presented.

	2017 **RMB'000**	**2016** **RMB'000**
Additions to non-current assets		
Reportable segment total	5,954,260	3,472,358
Unallocated amount	4,979	7,690
Group's total	5,959,239	3,480,048
Other material items:		
Depreciation of property, plant and equipment		
Reportable segment total	172,176	169,513
Unallocated amount	4,730	4,589
Group's total	176,906	174,102

6. OTHER INCOME, GAINS AND LOSSES

	2017 **RMB'000**	**2016** **RMB'000**
Interest income	88,631	33,260
Investment income from land development (note 27(e))	–	5,787
Change in fair value of financial assets at FVTPL	4,457	2,828
Unconditional government grants	11,341	10,978
Gain on remeasurement of interests in joint ventures and available-for-sale investment (note 46 (b))	562,719	–
Net exchange gain (losses)	598,535	(665,820)
Loss on early redemption of senior notes	(116,933)	(29,688)
Loss on settlement of defined benefit obligation (note 43)	(107,014)	–
Impairment of goodwill (note 18)	(50,058)	–
Others	17,371	57,483
	1,009,049	(585,172)

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7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on:		
– bank and other borrowings	602,953	408,162
– senior notes and bonds	1,649,157	1,364,974
– finance leases	4,815	5,740
– amount due to a non-controlling shareholder of the Company	–	17,996
– assets backed securities issued	19,332	6,863
Other finance costs	21,036	31,834
	2,297,293	1,835,569
Less: Amount capitalised in properties under development for sale	(995,433)	(896,985)
Amount capitalised in investment properties under construction	(20,523)	(6,346)
Amount capitalised in construction in progress	(1,750)	–
	1,279,587	932,238

During the year ended 31 December 2017, certain amounts of finance costs capitalised arose from the general borrowing pool and were calculated by applying the capitalisation rate of 9.1% per annum (2016: 9.6% per annum) to expenditures on qualifying assets.

For the year ended 31 December 2017

8. PROFIT BEFORE TAX

	2017 RMB'000	2016 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	17,691	16,962
Other staff's salaries and allowances	926,644	913,293
Defined benefit scheme costs	3,818	3,736
Retirement benefit scheme contributions	148,702	130,091
Share-based payments	47,216	81,955
Total staff costs	1,144,071	1,146,037
Less: Amount capitalised in properties under development for sale	(230,522)	(194,356)
	913,549	951,681
Auditor's remuneration	5,200	4,700
Release of prepaid lease payments	19,218	14,487
Release of premium on prepaid lease payments	23,990	17,874
Depreciation of property, plant and equipment	176,906	174,102
Amortisation of intangible assets	32,199	26,604
Loss on disposal of property, plant and equipment	3,146	4,364
Allowance for bad and doubtful debts, net	62,012	40,771
Cost of properties sold recognised as an expense	4,685,371	5,951,592
Gross rental income from investment properties	(243,187)	(241,778)
Less: Direct operating expenses from investment properties that generated rental income	15,209	15,121
	(227,978)	(226,657)
Rental expenses in respect of rented premises under operating leases	50,675	47,222

9. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax in the PRC		
PRC enterprise income tax ("EIT")	350,960	848,061
LAT	557,584	694,351
	908,544	1,542,412
Deferred tax (note 25)		
Charge (credit) to profit and loss	248,663	(100,596)
	1,157,207	1,441,816

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9. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

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

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	NOTES	**2017 RMB'000**	**2016 RMB'000**
Profit before tax		2,566,918	2,506,164
Tax at PRC EIT rate of 25% (2016: 25%)	(a)	641,730	626,541
Tax effect of share of results of associates		(2,211)	632
Tax effect of share of results of joint ventures		(41,918)	(12,126)
Tax effect of income not taxable for tax purpose		(302,568)	(5,864)
Tax effect of expenses not deductible for tax purpose	(b)	292,328	250,017
Tax effect of tax losses not recognised		190,431	224,246
Utilisation of tax losses previously not recognised		(17,068)	(146,821)
LAT		557,584	694,351
Tax effect of LAT		(139,396)	(173,588)
Tax effect of tax rate differential of certain subsidiaries with preferential tax rate		(22,921)	(17,509)
Others		1,216	1,937
Income tax expense for the year		1,157,207	1,441,816

Notes:

(a) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable EIT rate of those subsidiaries is 25%.

(b) The amounts for the years ended 31 December 2017 and 2016 mainly represented the tax effect of expenses incurred by offshore companies, including the interest on senior notes, share-based payment expenses, exchange loss, loss on early redemption of senior notes, impairment of goodwill and professional fees.

For the year ended 31 December 2017

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to the directors and the chief executive disclosed pursuant to the applicable Listing Rules and CO were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2017						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	4,720	514	75	–	5,309
Ms. Zeng Jie, Baby (曾寶寶)	–	4,720	514	75	–	5,309
Mr. Lam Kam Tong (林錦堂)	–	2,622	795	–	–	3,417
Mr. Zhou Jinquan (周錦泉) (note ii)	–	–	–	–	–	–
Mr. Deng Bo (鄧波) (note iii)	–	1,711	190	75	–	1,976
Non-executive directors:						
Mr. Li Dongsheng (李東生)	240	–	–	–	–	240
Mr. Yuan Haodong (袁浩東) (note ii)	60	–	–	–	–	60
Mr. Liao Jian (廖騫) (note iii)	180	–	–	–	–	180
Independent non-executive directors:						
Mr. He Min (何敏)	240	–	–	–	–	240
Mr. Huang Ming (黃明)	240	–	–	–	–	240
Mr. Liao Jianwen (廖建文)	240	–	–	–	–	240
Ms. Wong Pui Sze (王沛詩)	240	–	–	–	–	240
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
	1,680	13,773	2,013	225	–	17,691
For the year ended 31 December 2016						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	4,447	257	74	–	4,778
Ms. Zeng Jie, Baby (曾寶寶)	–	4,447	257	74	–	4,778
Mr. Lam Kam Tong (林錦堂)	–	2,644	332	–	–	2,976
Mr. Zhou Jinquan (周錦泉)	–	2,319	363	68	–	2,750
Non-executive directors:						
Mr. Li Dongsheng (李東生)	240	–	–	–	–	240
Mr. Yuan Haodong (袁浩東)	240	–	–	–	–	240
Independent non-executive directors:						
Mr. He Min (何敏)	240	–	–	–	–	240
Mr. Huang Ming (黃明)	240	–	–	–	–	240
Mr. Liao Jianwen (廖建文)	240	–	–	–	–	240
Ms. Wong Pui Sze (王沛詩)	240	–	–	–	–	240
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
	1,680	13,857	1,209	216	–	16,962

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10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS (continued)

Notes:

(i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Mr. Zhou Jinquan and Mr. Yuan Haodong were resigned on 17 January 2017 and 31 March 2017 respectively.

(iii) Mr. Deng Bo and Mr. Liao Jian were appointed on 17 January 2017 and 31 March 2017 respectively.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Five highest paid employees

The five individuals with the highest emoluments in the Group included 3 (2016: 4) directors for the year ended 31 December 2017. Details of their emoluments are set out above. The emoluments of the remaining 2 (2016: 1) of the five highest paid individuals is as follows:

	2017 RMB'000	2016 RMB'000
Salaries and allowances	5,726	3,547
Discretionary bonus	1,629	348
Retirement benefit scheme contributions	151	74
	7,506	3,969

Their emoluments were within the following band:

	2017 No. of employees	2016 No. of employees
HKD4,000,001 to HKD4,500,000	2	1

During the years ended 31 December 2017 and 2016, no remuneration was paid by the Group to any of the directors, chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration for both the years ended 31 December 2017 and 2016.

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11. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends recognised as distribution during the year: 2016 final dividend HK5.00 cents (2016: 2015 final dividend HK5.00 cents) per share	250,049	255,793

Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2017 of HK7.00 cents, equivalent to RMB5.65 cents (2016: final dividend in respect of year ended 31 December 2016 of HK5.00 cents, equivalent to RMB4.47 cents) per share amounting to approximately RMB325,624,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	1,154,316	805,736
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,761,971,836	5,761,656,613
Effect of dilutive potential ordinary shares:		
Share options	22,696,062	15,015,200
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,784,667,898	5,776,671,813

Those share options granted by Colour Life, a non-wholly owned subsidiary of the Company, and Morning Star Group Limited ("Morning Star"), a wholly owned subsidiary of the Company, have no impact on the computation of diluted earnings per share for both the years ended 31 December 2017 and 2016, where the exercise price of the share options was higher than the average market price of the Colour Life's share and the impact of Morning Star's share options is anti-dilutive.

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13. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2016	1,002,586	237,164	167,637	214,451	291,218	171,775	2,084,831
Transfer upon completion	19,154	–	–	25,921	–	(45,075)	–
Additions	–	15,792	19,648	47,559	5,154	125,726	213,879
Acquisition of subsidiaries (note 46)	–	244,224	62	8,312	1,336	31,851	285,785
Disposal of subsidiaries (note 47 (a) and (c))	–	–	(2,032)	(3,280)	(1,252)	–	(6,564)
Disposals	–	(32,012)	(8,589)	(6,324)	(2,317)	–	(49,242)
At 31 December 2016	1,021,740	465,168	176,726	286,639	294,139	284,277	2,528,689
Transfer upon completion	40,006	19,818	–	61,433	–	(121,257)	–
Additions	–	21,157	37,564	6,272	315,107	346,349	726,449
Acquisition of subsidiaries (note 46)	–	–	581	67,925	5,584	–	74,090
Disposal of subsidiaries (note 47 (a) and (c))	–	(49,606)	(9,057)	(26,005)	(13,151)	(28,440)	(126,259)
Disposals	–	(10,669)	(1,141)	(9,539)	(2,982)	–	(24,331)
At 31 December 2017	1,061,746	445,868	204,673	386,725	598,697	480,929	3,178,638
DEPRECIATION							
At 1 January 2016	56,691	80,303	44,044	67,069	69,855	–	317,962
Provided for the year	27,902	51,762	37,303	46,162	10,973	–	174,102
Eliminated on disposal of subsidiaries (note 47 (a) and (c))	–	–	(1,575)	(1,968)	(897)	–	(4,440)
Eliminated on disposals	–	(27,458)	(5,221)	(2,805)	(1,723)	–	(37,207)
At 31 December 2016	84,593	104,607	74,551	108,458	78,208	–	450,417
Provided for the year	34,876	53,629	38,606	32,906	16,889	–	176,906
Eliminated on disposal of subsidiaries (note 47 (a) and (c))	–	(32,905)	(1,041)	(8,082)	(2,870)	–	(44,898)
Eliminated on disposals	–	(3,098)	(99)	(9,500)	(2,174)	–	(14,871)
At 31 December 2017	119,469	122,233	112,017	123,782	90,053	–	567,554
CARRYING AMOUNTS							
At 31 December 2017	942,277	323,635	92,656	262,943	508,644	480,929	2,611,084
At 31 December 2016	937,147	360,561	102,175	178,181	215,931	284,277	2,078,272

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease or 20 years
Buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvements	5 to 10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 to 15 years

The buildings are all situated on land in the PRC and the USA.

As at 31 December 2017, certain of the Group's buildings and hotel buildings with carrying amounts of RMB295,167,000 (2016: RMB303,848,000) were pledged to banks to secure the banking facilities granted to the Group.

As at 31 December 2017, transportation equipment amounting to RMB490,021,000 (2016: RMB174,544,000) are held under finance leases.

14. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	**Investment properties under construction RMB'000**	**Total RMB'000**
At 1 January 2016	4,723,049	2,161,882	6,884,931
Additions	–	300,575	300,575
Transfer from completed properties for sale (note 26)	1,147,377	–	1,147,377
Net change in fair value recognised in profit or loss	185,049	220,027	405,076
Transfer upon completion of construction work	1,017,208	(1,017,208)	–
Disposal of subsidiaries (note 47(a) and (c))	(704,431)	–	(704,431)
Disposals	(1,051,689)	–	(1,051,689)
At 31 December 2016	5,316,563	1,665,276	6,981,839
Additions	920,707	821,084	1,741,791
Transfer from completed properties for sale (note 26)	413,567	–	413,567
Transfer from prepaid lease payment	–	76,477	76,477
Transfer from premium on prepaid lease payment	–	84,355	84,355
Acquisition of subsidiaries (note 46(a))	–	800,992	800,992
Net change in fair value recognised in profit or loss	591,054	375,130	966,184
Transfer upon completion of construction work	2,333,489	(2,333,489)	–
Disposal of subsidiaries (note 47(a))	(3,593)	–	(3,593)
Disposals	(867,448)	–	(867,448)
At 31 December 2017	8,704,339	1,489,825	10,194,164
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2016 (note)	467,157	220,027	687,184
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2017 (note)	570,240	375,130	945,370

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14. INVESTMENT PROPERTIES (continued)

Note: Unrealised gain on property revaluation included change in fair value of investment properties and change in fair value of completed properties for sale upon transfer to investment which have been presented on the face of the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2017, the fair value of the Group's completed investment properties of RMB8,704,339,000 (2016: RMB5,316,563,000) and investment properties under construction of RMB1,489,825,000 (2016: RMB1,665,276,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuers which are not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties as at 31 December 2017 and 2016 are determined by income capitalisation method and direct comparison method. Income capitalisation method is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction as at 31 December 2017 and 2016 are arrived at by residual method and direct comparison method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development. Direct comparison approach is arrived at by reference to comparable market transactions and presuppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors. In estimating the fair value of the properties, highest and best use of the properties is their current use.

As at 31 December 2017, investment properties with fair value of RMB551,978,000 (2016: RMB512,111,000) represented completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied according to the relevant laws and regulations in the PRC.

As at 31 December 2017, certain of the Group's investment properties with an aggregate fair value of RMB2,150,253,000 (2016: RMB1,588,802,000) were pledged to banks to secure the banking facilities granted to the Group.

All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2017 and 2016 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group	Fair value as at 31 December 2017 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	7,989,358	Shenzhen, Tianjin, Chengdu, Nanjing, Dongguan, Guilin, Wuhan, Suzhou, Shanghai, Huizhou	Level 3	Income capitalisation method-income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	3% – 6%	A slight increase in term yield would not result in significant decrease in fair value, and vice versa.
					2. Reversionary yield	2.3% – 6.5%	A slight increase in reversionary yield would not result in significant decrease in fair value, and vice versa.
					3. Vacancy ratio	0% – 20%	A slight increase in vacancy ratio would not result in not significant decrease in fair value, and vice versa.
Completed investment properties	714,981	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Shanghai	Level 2	Direct comparison method-based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Adjustment made to account for differences in location	3% – 10%	N/A
Investment properties under construction	721,324	Nanjing, Jiangsu	Level 3	Residual method-based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value (RMB'000) on completion basis	80,435 – 838,416	A significant increase/ decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	13% – 15%	A significant increase in developer's profit would result in significant decrease in fair value, and vice versa.
					3. Marketing costs	3%	A slight increase in marketing costs would not result in significant decrease in fair value, and vice versa.
					4. Construction costs to completion (RMB'000)	11,637 – 94,618	A significant increase in construction costs to completion would result in significant decrease in fair value, and vice versa.
Investment properties under construction	768,501	Chengdu	Level 2	Direct comparison method-based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm)	894 – 3,282	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
	10,194,164						

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14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group	Fair value as at 31 December 2016 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	4,756,719	Shenzhen, Tianjin, Chengdu, Nanjing, Tokyo, Dongguan, Guilin, Wuhan	Level 3	Income capitalisation method- income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	2% – 6%	A slight increase in term yield would not result in significant decrease in fair value, and vice versa.
					2. Reversionary yield	2.3% – 6.5%	A slight increase in reversionary yield would not result in significant decrease in fair value, and vice versa.
					3. Vacancy ratio	0% – 20%	A slight increase in vacancy ratio would not result in significant decrease in fair value, and vice versa.
Completed investment properties	559,844	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin	Level 2	Direct comparison method-based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Adjustment made to account for differences in location	3% – 10%	N/A
Investment properties under construction	1,457,965	Nanjing, Suzhou, Chengdu	Level 3	Residual method-based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value (RMB'000) on completion basis	5,800 – 151,400	A significant increase/ decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	20%	A significant increase in developer's profit would result in significant decrease in fair value, and vice versa.
					3. Marketing costs	3%	A slight increase in marketing costs would not result in significant decrease in fair value, and vice versa.
					4. Construction costs to completion (RMB'000)	13,266 – 26,163	A significant increase in construction costs to completion would result in significant decrease in fair value, and vice versa.
Investment properties under construction	207,311	Huizhou, Chengdu	Level 2	Direct comparison method-based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm)	850 – 1,450	A significant increase/ decrease in market unit sales rate would result in significant increase/decrease in fair value.
	6,981,839						

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14. INVESTMENT PROPERTIES (continued)

During the year ended 31 December 2017, there were investment properties amounting to RMB85,687,000 (2016: RMB50,739,000) transferred out of Level 3 to Level 2 upon completion of construction work, and the fair value of the investment properties is determined by direct comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.

During the year ended 31 December 2017, there were investment properties amounting to RMB207,311,000 (2016: nil) transferred out of Level 2 to Level 3 upon commencement of construction work based on gross development value and taken into account the construction costs to completion and other inputs.

15. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of investments, unlisted	1,167,204	736,475
Share of post-acquisition results, net of dividends received	7,704	(1,139)
	1,174,908	735,336

Details of the Group's principal associates at the end of the reporting period are as follow:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group 2017	2016	Proportion of voting power held by the Group 2017	2016	Principal activities
Wuhu Xinjia Investment Center (Limited Partnership) ("Wuhu Xinjia") 蕪湖信嘉投資中心(有限合夥) (note a)	The PRC	The PRC	46%	46%	33%	33%	Investment management in the PRC
Suzhou Linjiayan Property Development Co., Ltd. ("Suzhou Linjiayan") 蘇州林甲岩房產發展有限公司 (note b)	The PRC	The PRC	43%	5%	43%	5%	Property development in the PRC

Notes:

(a) The Group is a limited partner of Wuhu Xinjia. Pursuant to the partnership agreement, the Group has the right to cast one out of three votes of Wuhu Xinjia at the investment committee's meeting, the governing body which directs the relevant activities that significantly affect the returns of Wuhu Xinjia. The approval of relevant activities require two thirds of the total votes. Therefore, Wuhu Xinjia is accounted for as an associate of the Group.

(b) During the year ended 31 December 2017, the Group made additional capital contribution of RMB319,400,000 to Suzhou Linjiayan, which was accounted for as an available-for-sale investment previously. Upon completion of the capital injection, the Group's shareholding in Suzhou Linjiayan increased from 5% to 43%. Pursuant to the amended shareholder's agreement, the Group has the right to cast 43% of the votes of Suzhou Linjiayan at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Suzhou Linjiayan. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Suzhou Linjiayan is accounted for as an associate of the Group.

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15. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in respect of the Group's principal associates are set out below. The summarised financial information below represented amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using equity method in these consolidated financial statements.

Wuhu Xinjia

	2017 **RMB'000**	**2016** **RMB'000**
Current assets	1,050,732	1,051,557
Non-current assets	624,355	627,704
Current liabilities	1,904	6,962
Profit (loss) and other comprehensive income (expense) for the year	884	(5,096)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wuhu Xinjia recognised in the consolidated financial statements:

	2017 **RMB'000**	**2016** **RMB'000**
Net assets of Wuhu Xinjia	1,673,183	1,672,299
Proportion of the Group's ownership interest in Wuhu Xinjia	46%	46%
	769,664	769,258
Less: Non-controlling interests of Wuhu Xinjia's subsidiary	(2,498)	(2,489)
	767,166	766,769
Less: Unrealised gain on disposal of Beijing Huawanli (note 47(c))	(109,320)	(109,320)
Carrying amount of the Group's interest in Wuhu Xinjia	657,846	657,449

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15. INTERESTS IN ASSOCIATES (continued)

Suzhou Linjiayan

	2017 RMB'000	2016 RMB'000
Current assets	666,583	N/A
Non-current assets	583,389	N/A
Current liabilities	395,734	N/A
Profit and other comprehensive income for the period from the date of capital injection to 31 December 2017	8,334	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in Suzhou Linjiayan recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net assets of Suzhou Linjiayan	854,238	N/A
Proportion of the Group's ownership interest in Suzhou Linjiayan	43%	N/A
Carrying amount of the Group's interest in Suzhou Linjiayan	367,322	N/A

Aggregate information of associates that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of profit (loss) and other comprehensive income (expense)	4,852	(184)
Aggregate carrying amount of the Group's interests in these associates	149,740	77,887

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16. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of investments, unlisted	1,051,203	922,935
Share of post-acquisition results, net of dividends received	8,854	28,732
	1,060,057	951,667

Details of the Group's principal joint ventures at the end of the reporting period are as follow:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2017	2016	2017	2016	
Nanjing Zhongchu Property Development Co., Ltd. ("Nanjing Zhongchu") 南京中儲房地產開發有限公司	The PRC	The PRC	70% (note a)	60%	70%	60%	Property development in the PRC
Shenzhen Xingfu Wanxiang Investment partnership (Limited Partnership) ("Shenzhen Wanxiang") 深圳市幸福萬象投資合夥企業(有限合夥)	The PRC	The PRC	100% (note b)	50%	100%	50%	Investment management in the PRC
Chuangshi Jianian Fund ("Chuangshi Jianian") 創世嘉年基金(note (c))	The PRC	The PRC	38.8%	38.8%	33.3%	33.3%	Investment management in the PRC
Fantasia Anchor Investment II LLC (note (d))	The USA	The USA	99.9%	–	50%	–	Property development in the USA
Fantasia Anchor Investment III LLC (note (d))	The USA	The USA	71.9%	–	33.3%	–	Property development in the USA

Notes:

(a) During the year ended 31 December 2017, the Group acquired additional 10% equity interest in Nanjing Zhongchu from the other shareholder. Pursuant to the amendment to the shareholder's agreement, the board of directors of Nanjing Zhongchu, the governing body which directs the relevant activities that significantly affects the returns of Nanjing Zhongchu, consists of five directors of which the Group and the other shareholder can appoint three directors and two directors, respectively. The approval of the relevant activities requires a simple majority of directors' votes. Therefore, the Group exercised control over Nanjing Zhongchu and Nanjing Zhongchu is accounted for as a subsidiary of the Group. Details are set out in note 46(a).

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16. INTERESTS IN JOINT VENTURES (continued)

Notes: (continued)

(b) Shenzhen Wanxiang was incorporated and acquired 99% equity interest in Wanxiangmei Property Management Co., Ltd. (萬象美物業管理有限公司) ("Wanxiangmei") (previous name is Wanda Property Management Co., Ltd. 萬達物業管理有限公司) in 2016. Wanxiangmei is principally engaged in provision of property management services in the PRC. The remaining 1% equity interest in Wanxiangmei was held by the Group. On 29 December 2017, the Group acquired the 100% equity interest in Shenzhen Jiaxin Consultancy Service Co., Ltd. (深圳市嘉信咨詢服務有限公司) ("Shenzhen Jiaxin"), a limited partner of Shenzhen Wanxiang, from Chuangshi Jianian, a joint venture of the Group, at a consideration of RMB992,520,000. On the same day, the Group entered into a supplemental partnership agreement with other partners regarding the revision of the terms of the cooperation. Pursuant to the supplemental agreement, the investment committee of Shenzhen Wanxiang, the governing body which directs the relevant activities that significantly affects the investment decision and returns of Shenzhen Wanxiang, consists of five members of which the Group and the other partners can appoint three members and two members, respectively, and the return on capital injected by the other limited partner were changed from 4.379% per annum to 8.630% per annum. The approval of the relevant activities requires unanimous consent of members, however, the other partners committed that the two members appointed by them would not vote against the three members appointed by the Group, unless Shenzhen Wanxiang default in settlement of the fixed return and/or return of capital to the other partners in accordance with the repayment schedule. Therefore, the Group obtained 100% beneficial interest in Shenzhen Wanxiang and 100% equity interest in Wanxiangmei. Details are set out in note 46(b).

(c) Chuangshi Jianian was formed and acquired the 100% equity interest in Shenzhen Jiaxin in 2016. Upon the disposal of Shenzhen Jiaxin to the Group, as described in note (b) above, the Group and the other investors of Chuangshi Jianian agreed to withdraw the investment and deregister Chuangshi Jianian. At the date these consolidated financial statements are authorised for issuance, the deregistration of Chuangshi Jianian has not been completed.

(d) These companies are accounted for as joint ventures as at respective period end date as in accordance with the memorandum and articles of the companies, major financial and operating policies of these companies require the unanimous consent of all directors.

Summarised financial information in respect of the Group's principal joint venture are set out below. The summarised financial information below represented amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using equity method in these consolidated financial statements.

Chuangshi Jianian

	2017 RMB'000	2016 RMB'000
Current assets	1,056,882	–
Non-current assets	–	1,010,667
Current liabilities	–	12,005
Profit and other comprehensive income for the year	58,220	14,127

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chuangshi Jianian recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net assets of Chuangshi Jianian	1,056,882	998,662
Proportion of the Group's ownership interest in Chuangshi Jianian	38.8%	38.8%
Carrying amount of the Group's interest in Chuangshi Jianian	410,070	387,481

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16. INTERESTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of profit and other comprehensive income	145,081	43,023
Aggregate carrying amount of the Group's interests in these joint ventures	649,987	564,186

17. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost	117,663	30,215

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

18. GOODWILL

	RMB'000
COST	
At 1 January 2016	765,065
Arising on acquisition of businesses (note 46(b))	179,201
At 31 December 2016	944,266
Arising on acquisition of businesses (note 46(b))	1,478,064
Disposal of subsidiaries (note 47(a) and (c))	(40,998)
At 31 December 2017	2,381,332
IMPAIRMENT	
At 1 January 2016 and 31 December 2016	31,516
Impairment loss recognised for the year	50,058
At 31 December 2017	81,574
CARRYING VALUES	
At 31 December 2017	2,299,758
At 31 December 2016	912,750

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18. GOODWILL (continued)

For the purpose of impairment testing, goodwill above has been allocated to two cash-generating units ("CGU"), comprising a group of subsidiaries in property operation services collectively as the property operation cash-generating units ("Property Operation CGU") and a group subsidiaries in travel agency services collectively as the travel agency cash-generating units ("Travel Agency CGU"). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2017 and 2016 allocated to these cash-generating units are as follow:

	2017 RMB'000	2016 RMB'000
Property Operation CGU	2,220,569	783,503
Travel Agency CGU	79,189	129,247
	2,299,758	912,750

During the year ended 31 December 2016, the management of the Group determined that there is no impairment of Property Operation CGU and Travel Agency CGU containing goodwill arising from the acquisition of businesses.

During the year ended 31 December 2017, in the opinion of the directors of the Company, the performance of Travel Agency CGU was declined due to the vigorous market competition. The carrying amount of the assets (including goodwill allocated to Travel Agency CGU) of the Travel Agency CGU is determined to be higher than the recoverable amount. Therefore, the Group recognised an impairment loss of RMB50,058,000 in relation to goodwill allocated to Travel Agency CGU.

The recoverable amounts of Property Operation CGU and Travel Agency CGU have been determined based on a value in use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a 5-year period and at discount rates which ranges from 14% – 20% per annum as at 31 December 2016 and 2017. The cash flows beyond the 5-year period are extrapolated using zero growth rate.

Cash flow projections during the budget period for Property Operation CGU and Travel Agency CGU are based on the management's key estimation of cash inflows/outflows including revenue, gross profit, operating expenses and working capital requirements. The assumptions and estimation are based on the past performance and management's expectation of market development. The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amount to exceed its recoverable amount.

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19. INTANGIBLE ASSETS

	Property management contracts and customer relationship RMB'000	Trademark RMB'000	Total RMB'000
COST			
At 1 January 2016	169,448	52,441	221,889
Arising on acquisition of subsidiaries (note 46(b))	81,378	–	81,378
At 31 December 2016	250,826	52,441	303,267
Arising on acquisition of subsidiaries (note 46(b))	1,092,852	–	1,092,852
At 31 December 2017	1,343,678	52,441	1,396,119
AMORTISATION			
At 1 January 2016	17,415	–	17,415
Provided for the year	23,107	3,497	26,604
At 31 December 2016	40,522	3,497	44,019
Provided for the year	28,702	3,497	32,199
At 31 December 2017	69,224	6,994	76,218
CARRYING AMOUNT			
At 31 December 2017	1,274,454	45,447	1,319,901
At 31 December 2016	210,304	48,944	259,248

The property management contracts, customer relationship and trade mark were acquired from third parties through the acquisition of subsidiaries.

The above intangible assets have finite useful lives and are amortised on a straight line basis over 60 months to 120 months.

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20. PREPAID LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Non-current assets	754,720	1,765,515
Current assets	18,228	48,151
	772,948	1,813,666

As at 31 December 2017, none of the Group's prepaid lease payments (2016: RMB11,448,000) was pledged to banks to secure the banking facilities granted to the Group.

During the year ended 31 December 2017, prepaid lease payments of RMB858,993,000 (2016: RMB149,950,000) was transferred to properties under development for sale and prepaid lease payments of RMB76,477,000 (2016:nil) was transferred to investment properties under construction upon commencement of the related construction work in certain property development projects.

21. PREMIUM ON PREPAID LEASE PAYMENTS

Premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments and amounting to RMB1,288,225,000 (2016: RMB1,621,230,000) in respect of leasehold lands in the PRC under long-term lease acquired through acquisition of subsidiaries during the year and are amortised over the period of the remaining lease term on a straight-line basis.

	RMB'000
COST	
At 1 January 2016	204,376
Acquisitions of subsidiaries (note 46)	1,635,601
Disposal of subsidiaries (note 47(c))	(195,774)
At 31 December 2016	1,644,203
Transfer to properties under development for sale	(231,574)
Transfer to investment properties under construction (note 14)	(86,951)
At 31 December 2017	1,325,678
AMORTISATION	
At 1 January 2016	28,529
Amortised for the year	17,874
Disposal of subsidiaries (note 47(c))	(23,430)
At 31 December 2016	22,973
Amortised for the year	23,990
Eliminated on transfer to properties under development for sale	(6,914)
Eliminated on transfer to investment properties under construction (note 14)	(2,596)
At 31 December 2017	37,453
CARRYING AMOUNTS	
At 31 December 2017	1,288,225
At 31 December 2016	1,621,230

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21. PREMIUM ON PREPAID LEASE PAYMENTS (continued)

During the year ended 31 December 2017, premium on prepaid lease payments of RMB224,660,000 (2016: nil) was transferred to properties under development for sale and premium on prepaid lease payments of RMB84,355,000 (2016: nil) was transferred to investment properties under construction upon commencement of the related construction work in certain property development projects.

Analysed for reporting purposes as:

	2017 RMB'000	2016 RMB'000
Non-current assets	1,268,992	1,592,486
Current assets	19,233	28,744
	1,288,225	1,621,230

22. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS OF SUBSIDIARIES

As at 31 December 2017, the Group had made deposits of RMB746,813,000 (2016: RMB124,593,000) in relation to the acquisitions of a number of companies which are principally engaged in property development in the PRC from independent third parties.

As at 31 December 2017, the Group had made deposits of RMB52,793,000 (2016: RMB142,537,000) in relation to the acquisitions of a number of companies which are principally engaged in property operation in the PRC from independent third parties. Pursuant to the sale and purchase agreements, in case the aforesaid acquisition is not completed, the deposit would be fully refunded to the Group by the vendors.

At the date these consolidated financial statements are authorised for issuance, the acquisition of these subsidiaries have not been completed.

23. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY PROJECT

As at 31 December 2017, the Group had made deposit of RMB159,214,000 (2016: RMB159,073,000) in relation to the acquisition of a property project from an independent property developer.

The aforesaid deposit related to acquisition of a building for hotel operations and is therefore classified as non-current assets. At the date these consolidated financial statements are authorised for issuance, the acquisition of this project has not been completed.

24. DEPOSITS PAID FOR ACQUISITIONS OF LAND USE RIGHTS

As at 31 December 2017, the Group had made deposits of RMB118,103,000 (2016: RMB1,095,077,000) in relation to acquisitions of land use rights from independent third parties. At the date these consolidated financial statements are authorised for issuance, the acquisitions of land use rights have not been completed.

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25. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	(461,990)	(466,577)
Deferred tax liabilities	1,754,528	1,236,629
	1,292,538	770,052

	Fair value change of investment properties RMB'000	Revaluation of investment properties, and revaluation of assets under business combination RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Intangible assets RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2016	1,149,931	29,974	(48,897)	(168,510)	46,660	(399,961)	609,197
Credit to other comprehensive income	–	–	–	–	–	(5,743)	(5,743)
Acquisition of subsidiaries (note 46(b))	–	232,879	–	–	20,345	–	253,224
Charge (credit) to profit and loss	22,408	–	(4,379)	18,871	(6,651)	(130,845)	(100,596)
Disposal of subsidiaries (note 47(a) and (c))	(59,500)	–	(4,208)	–	–	77,678	13,970
At 31 December 2016	1,112,839	262,853	(57,484)	(149,639)	60,354	(458,871)	770,052
Credit to other comprehensive income	–	–	–	–	–	(2,009)	(2,009)
Acquisition of subsidiaries (note 46(b))	–	–	(1,893)	–	273,056	–	271,163
Charge (credit) to profit and loss	291,610	(6,257)	(10,342)	(1,899)	(8,050)	(16,399)	248,663
Disposal of subsidiaries (note 47(a) and (c))	(546)	–	–	–	–	5,215	4,669
At 31 December 2017	1,403,903	256,596	(69,719)	(151,538)	325,360	(472,064)	1,292,538

Note: Others mainly represent the deductible temporary difference arising from LAT provision and remeasurement of defined benefit obligations.

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25. DEFERRED TAXATION (continued)

As at 31 December 2017, the Group had unutilised tax losses of RMB3,208,092,000 (2016: RMB3,299,418,000). A deferred tax asset has been recognised in respect of RMB606,152,000 (2016: RMB598,556,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,601,940,000 (2016: RMB2,700,862,000) due to the unpredictability of future profits streams.

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was RMB13,076,314,000 (2016: RMB10,412,486,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

26. PROPERTIES FOR SALE

	2017 **RMB'000**	**2016** **RMB'000**
Completed properties for sale	4,709,787	5,585,600
Properties under development for sale	19,068,179	9,762,379
	23,777,966	15,347,979

As at 31 December 2017, certain of the Group's properties for sale with a carrying amount of RMB2,139,194,000 (2016: RMB783,361,000) were pledged to secure certain banking facilities granted to the Group.

During the year ended 31 December 2017, completed properties for sale with an aggregate carrying amount of RMB294,978,000 (2016: RMB669,372,000) were transferred to investment properties upon change in use as evidenced by signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to RMB118,589,000 (2016: RMB478,005,000) were recognised in the consolidated statement of profit or loss and other comprehensive income.

Included in the amount are properties under development for sale of RMB11,334,150,000 (2016: RMB6,040,855,000) in relation to property development projects that are expected to complete after one year from the end of the reporting period.

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27. TRADE AND OTHER RECEIVABLES

	NOTES	2017 RMB'000	2016 RMB'000
Trade receivables	(a)	2,081,969	1,720,333
Other receivables	(b)	495,612	365,754
Loan receivables	(c)	88,302	338,708
Prepayments and other deposits		271,564	199,897
Prepayments to suppliers		228,826	212,178
Prepayments for construction work		596,232	1,209,992
Consideration receivables on disposal of subsidiaries		–	25,500
Consideration receivables on disposal of partial interests in subsidiaries resulting in loss of control		9,000	332,500
Amount due from Pixian Government	(d)	122,830	122,830
Amount due from Chengdu Government	(e)	–	5,061
Other tax prepayments	(f)	402,693	315,496
		4,297,028	4,848,249
Less: Amounts shown under non-current assets		(167,624)	(244,038)
Amounts shown under current assets		4,129,404	4,604,211

Notes:

(a) Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and services fee is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property operation services has a designated credit limit.

Hotel operation and travel agency service income are in form of cash sales.

The following is an aged analysis of trade receivables of the Group net of allowance for bad and doubtful debts presented based on the date of delivery of the properties to the customers for property sale or the date of rendering of services at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 to 30 days	989,820	856,306
31 to 90 days	639,412	593,460
91 to 180 days	212,806	105,115
181 to 365 days	141,949	91,121
Over 1 year	97,982	74,331
	2,081,969	1,720,333

Trade receivables mainly represented receivables amounting to RMB1,007,710,000 (2016:RMB1,025,932,000) from sales of properties, RMB746,823,000 (2016:RMB350,878,000) from property operation services, and RMB327,436,000 (2016: RMB343,523,000) from other segments.

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27. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(a) (continued)

The trade receivables as at 31 December 2017 included the receivables from the property sales of RMB682,683,000 (2016: RMB583,232,000) whereby the banks have agreed to provide mortgage facilities to the property purchasers and the banks are in the process of releasing the funds to the Group.

For property investment and property operation services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB452,737,000 (2016: RMB270,567,000) which are past due for which the Group has not provided impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2017 RMB'000	2016 RMB'000
91 to 180 days	212,806	105,115
181 to 365 days	141,949	91,121
Over 1 year	97,982	74,331
	452,737	270,567

Movement in the allowance for bad and doubtful debts in respect of trade and other receivables

	2017 RMB'000	2016 RMB'000
Balance at the beginning of the year	132,372	93,259
Impairment losses recognised	62,012	40,771
Amounts written off as uncollectible	(5,432)	(1,658)
Balance at the end of the year	188,952	132,372

At 31 December 2017, included in trade receivables, the carrying amounts pledged for borrowings (2016: RMB54,089,000) has been fully released upon repayment of the corresponding borrowings.

(b) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation services segment.

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27. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(c) The loan receivables are as follows:

	NOTES	2017 RMB'000	2016 RMB'000
Beijing Jiatewei Management Co., Ltd. 北京嘉特威管理有限公司 ("Jiatewei")	(i)	3,958	111,458
Xi'an Dilian Real Estate Co., Ltd. 西安地聯置業有限責任公司 ("Xi'an Dilian")	(ii)	–	150,000
Shenzhen Qianxun Technology Co., Ltd. 深圳市乾訊科技有限公司 ("Shenzhen Qianxun")	(iii)	13,000	67,500
Shanghai Yinwan Life Network Co., Ltd. 上海銀灣生活網絡股份有限公司 ("Shanghai Yinwan")	(iv)	32,500	9,750
Others	(v)	38,844	–
		88,302	338,708

(i) In January 2016, the Group entered into a loan agreement with Jiatewei, a joint venture partner of the Group regarding the provision of fund amounting to RMB100,000,000 to Jiatewei, with maturity date of 20 January 2018. The fund advanced to Jiatewei carries interest at 12.5% per annum and is secured by 47.5% equity interests in an entity held by Jiatewei and guaranteed by Mr. Cui Tong崔桐, who is the shareholder of Jiatewei. As at 31 December 2017, the principal of RMB100,000,000 has been fully repaid and the outstanding balance represented the interest portion. At the date these consolidated financial statements are authorised for issuance, the interest portion has not been settled.

(ii) In December 2016, the Group entered into a loan agreement with Xi'an Dilian, a company controlled by Ms. Cui Ronghua崔榮華, a non-controlling shareholder of a subsidiary of the Company, regarding the provision of fund amounting to RMB150,000,000 to Xi'an Dilian, with maturity date in May 2017. The fund advanced to Xi'an Dilian carries interest at 12% per annum and is secured by 100% equity interests of Xi'an Dilian and 100% equity interests of two unlisted companies, whose ultimate controlling shareholder is Ms. Cui Ronghua崔榮華. The loan receivable has been fully repaid in 2017.

(iii) In December 2016, the Group entered into a loan agreement with Shenzhen Qianxun, which provides repair and maintenance services to the residential communities through the Group's online platform, regarding the fund provision of RMB70,500,000 to Shenzhen Qianxun with maturity date in June 2017. The fund advanced to Shenzhen Qianxun carries interest at 12% per annum and is unsecured. As at 31 December 2016, the outstanding balance was RMB67,500,000. For the remaining balance amounting to RMB13,000,000 as at 31 December 2017, the Group entered into a supplementary agreement with Shenzhen Qianxun regarding the extension of the maturity date from June 2017 to January 2018. At the date these consolidated financial statements are authorised for issuance, the balance has been fully repaid.

(iv) In October 2016, the Group entered into an agreement with Mr. Hu Zhubang 胡祝幫, the controlling shareholder of Shanghai Yinwan, which cooperate with the Group on the basic platform technology and ecosystem vertical services, regarding the fund provision of RMB32,500,000 with maturity date in December 2019 and is classified as non-current assets. The fund advanced to Shanghai Yinwan carries interest at 12% per annum and is secured by 5.72% equity interests in Shanghai Yinwan.

(v) During the year ended 31 December 2017, the Group has entered into loan agreements with several independent third parties, regarding the fund provision of RMB38,844,000. The loans carry interests ranging from 10.5% to 15.0% per annum and will mature from January 2018 to January 2020. The loans are guaranteed and pledged by equity interest in a borrower or properties and land use rights held by the independent third parties. At 31 December 2017, the amounts of RMB26,550,000 are due in one year and are classified as current assets and the amounts of RMB12,294,000 are due after one year and are classified as non-current assets.

For the year ended 31 December 2017

27. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(d) The balance represented the amount due form the Pixian Government in relation to the land development project located in Chengdu, Sichuan Province. Pursuant to the agreement between the Group and Pixian Government, the Group is responsible for provision of funds to Pixian Government and management of the Land Development Project to Pixian Government while the Pixian Government is required to repay finance cost at Benchmark Rate, investment income at 12% per annum and project management fee at 3% per annum.

As at 31 December 2017, the outstanding principal amounting to RMB122,830,000 is required to be settled upon disposal of land by Pixian Government which is expected to be over one year from the end of the reporting period and is classified under non-current assets.

(e) The balance represented the amount due from the People's Government of Chengdu ("Chengdu Government") in relation to the land development project located in Chengdu, Sichuan Province. The amount due from Chengdu Government has been fully repaid in 2017.

(f) As at 31 December 2017, the balance mainly represented business tax and value-added tax amounting to RMB378,921,000 (2016: RMB301,988,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects which has been prepaid and included in other tax prepayments.

28. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2017 RMB'000	2016 RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	258,074	226,937
Less: Progress billings	(167,773)	(170,056)
	90,301	56,881
Analysed for reporting purposes as:		
Amounts due from customers for contract works	104,079	73,627
Amounts due to customers for contract works	(13,778)	(16,746)
	90,301	56,881

Retentions held by customers for contract works for construction contracts was included in trade receivables as at 31 December 2017 and 2016. No significant advance was received from customers prior to commencement of contract works as at 31 December 2017 and 2016.

29. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF THE SUBSIDIARIES OF THE COMPANY

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

For the year ended 31 December 2017

30. AMOUNTS DUE FROM JOINT VENTURES

	NOTES	2017 RMB'000	2016 RMB'000
Amounts due from joint ventures			
Non-trade nature	(a)	362,935	354,406
Trade nature	(b)	–	1,369
		362,935	355,775

Notes:

(a) The balance as at 31 December 2016 and 2017 was non-trade in nature, unsecured, interest-free and repayable on demand.

(b) The balance as at 31 December 2016 represented the amount due from Shenzhen Wanxiang, which was trade in nature, unsecured, interest-free and with one year credit term from the issue date of invoice. The aging of the balance, based on date of invoice, was within 180 days and was not past due. During the year ended 31 December 2017, the Group acquired Shenzhen Wanxiang and the balance was eliminated upon completion of the acquisition. The details of the acquisition are set out in note 46(b).

31. AMOUNTS DUE FROM ASSOCIATES

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

32. AMOUNTS DUE FROM RELATED PARTIES

	NOTES	2017 RMB'000	2016 RMB'000
Amounts due from:			
Non-trade nature	(a)	–	201,979
Trade nature	(b)	–	31,747
		–	233,726

Notes:

(a) As at 31 December 2016, the balance represented amount due from Shenzhen Colour Pay Network Technology Co., Ltd. 深圳市彩付寶網路技術有限公司 ("Shenzhen Colour Pay"), of which the controlling shareholder is Mr. Pan Jun, a director and the chief executive officer of the Company. The balance was non-trade in nature, unsecured, interest-free and repayable on demand. The balance was fully settled in 2017.

(b) As at 31 December 2016, the balance represented amount due from Wanxiangmei, a subsidiary of Shenzhen Wanxiang. The balance was trade in nature, unsecured, interest-free and repayable within one year. The aging of the receivable, based on date of invoice, was within 180 days and was not past due. During the year ended 31 December 2017, the Group acquired Wanxiangmei through acquisition of Shenzhen Wanxiang and the balance was eliminated upon completion of the acquisition. The details of the acquisition are set out in note 46(b).

For the year ended 31 December 2017

33. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL mainly money market funds investment issued by a reputable securities corporation.

The return and principal of money market fund investments were not guaranteed by the securities corporation. The investments as above have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis.

The fair value of the money market funds investment at 31 December 2017 and 2016 are determined by market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits.

As at 31 December 2017, the principal of the investments are RMB234,460,000 (2016: RMB127,275,000). In the opinion of directors, the fair value of investment at 31 December 2017 approximated to their principal amount.

34. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The restricted/pledged bank deposits amounting to RMB1,256,351,000 (2016: RMB1,152,544,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount of RMB473,025,000(2016: RMB346,052,000) are proceeded from pre-sale of properties with the restriction of use for settlement of construction costs for relevant property projects. A term deposits amounting to RMB377,176,000 (2016: RMB499,228,000) were pledged to banks to secure banking facilities granted to the Group.

The Group's restricted/pledged bank deposits and bank balances carry variable interest rates ranging from 0.27% to 3.70% (2016: 0.28% to 3.70%) and from 0.01% to 2.75% (2016: 0.01% to 2.75%), respectively.

As at 31 December 2017 and 2016, bank balances of the relevant group entities denominated in foreign currencies as below:

	2017 **RMB'000**	**2016** **RMB'000**
United States Dollars ("USD")	3,107,330	1,322,541
Singapore Dollars ("SGD")	131,423	3,167
Japanese Yen ("JPY")	33,170	1,376
Hong Kong Dollars ("HKD")	22,387	859,422
Macao Pataca ("MOP")	2,617	1,962
Taiwan Dollars ("TWD")	1,146	30,646

For the year ended 31 December 2017

35. TRADE AND OTHER PAYABLES

	NOTES	2017 RMB'000	2016 RMB'000
Trade payables		3,850,108	2,487,201
Retention payables		7,310	7,128
Deposit received	(a)	567,644	537,172
Other payables	(b)	1,333,135	612,175
Other tax payables		471,689	323,933
Accrued staff costs		625,366	254,203
Consideration payables for acquisition of subsidiaries (note 46)		2,352,484	169,383
Accruals		74,732	53,813
		9,282,468	4,445,008

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials and settlement of subcontracting fee ranged from two months to one year.

The following is an aged analysis of the Group's trade payables and retention payables presented based on the invoice date at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 to 60 days	1,994,373	1,194,063
61 to 180 days	905,494	416,973
181 to 365 days	642,043	458,649
1–2 years	232,191	324,000
2–3 years	74,942	96,064
Over 3 years	8,375	4,580
	3,857,418	2,494,329

Notes:

(a) The balance of deposits received amounting to RMB567,644,000 (2016: RMB537,172,000) mainly represented the earnest money received from potential property buyers.

(b) The balance of other payables mainly included receipt on behalf of residents amounting to RMB408,719,000 (2016: RMB220,670,000) and advances for settlement of property services fees amounting to RMB497,537,000 (2016: RMB133,679,000).

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36. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF THE COMPANY

In 2014, the Group acquired Huizhou TCL Property Development Company Limited 惠州TCL房地產開發有限公司 ("Huizhou TCL Corporation") from TCL Corporation and two other independent third parties at a consideration of RMB1,905,053,000. The consideration of RMB939,525,000 has been settled by the issuance of 863,600,000 ordinary shares of the Company to TCL Corporation and the remaining consideration of RMB965,528,000 was interest-bearing at 10.58% per annum and payable within 3 years by three instalments. The consideration had been fully settled in 2017.

37. AMOUNTS DUE TO JOINT VENTURES

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

38. AMOUNTS DUE TO ASSOCIATES

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

For the year ended 31 December 2017

39. BORROWINGS

	NOTES	2017 RMB'000	2016 RMB'000
Bank loans		4,936,910	2,826,679
Other loans	(a)	4,926,735	540,787
		9,863,645	3,367,466
Secured	(b)	6,215,822	3,268,856
Unsecured		3,647,823	98,610
		9,863,645	3,367,466
Carrying amount repayable:			
Within one year		3,022,026	929,458
More than one year, but not exceeding two years		3,951,279	1,559,468
More than two years, but not exceeding five years		2,766,372	776,035
More than five years		123,968	102,505
Total borrowings		9,863,645	3,367,466
Less: Amounts due within one year shown under current liabilities		(3,022,026)	(929,458)
Amounts due after one year shown under non-current liabilities		6,841,619	2,438,008

Notes:

(a) Other loans amounting to RMB2,829,100,000 (2016: RMB300,000,000) represented loans provided by certain trust companies, some of which are secured by the equity interest of a subsidiary of the Company and carried interest rate of 9.2% (2016: 9.3%) per annum. The loan balance as at 31 December 2017 is due in 2019.

Other loans amounting to RMB31,500,000 as at 31 December 2016 represented loans provided by a commercial factoring company, which was secured by trade receivables and carried interest rate ranging from 8.0% to 8.5% per annum. The loan balance has been fully repaid during the year ended 31 December 2017.

Other loans amounting to RMB642,985,000 (2016: RMB201,027,000) is secured by a hotel building and carried interest of 8.4% per annum. The loan balance as at 31 December 2017 is due in 2019.

Other loan amounting to RMB1,000,000,000 (2016: nil) represented loan provided by a former joint venture partner of Shenzhen Wanxiang and carried interest of 8.63% per annum. Details are set out in note 46(b).

The remaining balance of other loans amounting to RMB423,150,000 (2016: RMB8,260,000) carried interest rate of 8.9% per annum, is unsecured and due in 2022.

(b) As at 31 December 2017, certain directors of the Company provided joint guarantees to the banks and trust companies to secure the Group's bank borrowings amounting to RMB795,969,000 (2016: RMB177,300,000) in aggregate.

For the year ended 31 December 2017

39. BORROWINGS (continued)

The amounts due above are based on scheduled repayment dates set out in the loan agreements. As at 31 December 2017, all borrowings are denominated in RMB except that secured borrowings amounting to RMB93,780,000 (2016: RMB157,721,000) and RMB21,633,000 (2016: nil) are denominated in USD and HKD, respectively, and unsecured borrowings amounting to RMB101,592,000 (2016: nil) are denominated in SGD.

The exposure of the Group's borrowings is as following:

	2017 RMB'000	2016 RMB'000
Fixed-rate borrowings	6,235,899	1,517,601
Variable-rate borrowings	3,627,746	1,849,865
	9,863,645	3,367,466

The ranges of effective interest rates on the Group's borrowings are as follows:

	2017	2016
Effective interest rate:		
Fixed-rate borrowings	1.37% to 14.00% per annum	3.45% to 10.50% per annum
Variable-rate borrowings		
London Interbank Offered Rate ("LIBOR")	3.98% per annum	+3.98% per annum
Singapore Interbank Offered Rate ("SIBOR")	2.47% per annum	N/A
Benchmark Lending Rate of the People's Bank of China ("Benchmark Lending Rate")	1.80% to +7.13% per annum	1.80% to +9.00% per annum
Benchmark Deposit Rate of the People's Bank of China ("Benchmark Deposit Rate")	2.10% per annum	2.10% per annum
Interbank Offered Benchmark Rate ("Benchmark Rate")	5.30% to +5.66% per annum	5.66% per annum

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40. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its transportation equipment under finance leases. The average lease term is 7 years (2016: 5 years) for the transportation equipment. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.2% to 4.7% per annum for the transportation equipment.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under finance leases				
Within one year	64,714	27,780	51,693	23,610
More than one year but not more than two years	62,316	26,799	51,593	22,025
More than two years but not more than five years	146,170	68,730	126,982	66,513
More than five years	86,162	–	80,724	–
	359,362	123,309	310,992	112,148
Less: future finance charge	(48,370)	(11,161)	–	–
Present value of lease obligations	310,992	112,148	310,992	112,148
Less: Amount due for settlement within one year shown under current liabilities			(51,693)	(23,610)
Amount due for settlement after one year shown under non-current liabilities			259,299	88,538

Finance lease obligations of the transportation equipment are denominated in USD, which is the foreign currency of the relevant group entities. Finance lease obligations of the group are secured by the leased assets.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS

	NOTES	2017 RMB'000	2016 RMB'000
2012 senior notes due 2017	(a)	–	1,575,183
2013 senior notes due 2020	(b)	1,707,273	1,796,660
2014 senior notes due 2019	(c)	–	2,013,563
2015 senior notes due 2018	(d)	1,313,578	1,383,274
2015 domestic corporate bonds due 2020	(e)	2,021,962	2,016,535
2016 first domestic corporate bonds due 2020	(f)	1,095,052	1,093,627
2016 second domestic corporate bonds due 2019	(g)	406,371	402,585
2016 third domestic corporate bonds due 2019	(h)	3,047,804	3,025,026
2016 May senior notes due 2019	(i)	1,601,413	1,586,433
2016 October senior notes due 2021	(j)	3,280,574	3,486,739
2017 June senior notes due 2018	(k)	3,171,032	–
2017 July senior notes due 2022	(l)	2,013,652	–
2017 domestic corporate bonds due 2020	(m)	146,231	–
		19,804,942	18,379,625
Carrying amounts repayable:			
Within one year		4,484,610	1,575,183
More than one year, but not exceeding two years		5,055,588	1,383,274
More than two years, but not exceeding five years		10,264,744	15,421,168
		19,804,942	18,379,625
Less: Amounts due within one year shown under current liabilities		(4,484,610)	(1,575,183)
Amounts due after one year shown under non-current liabilities		15,320,332	16,804,442

Notes:

(a) 2012 senior notes due 2017

On 27 September 2012, the Company issued senior notes in an aggregate principal amount of US$250,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.5% of the principal amount of the senior notes. The senior notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX"). The senior notes carry interest of 13.8% per annum and interest is payable semi-annually on 27 March and 27 September in arrears.

During the year ended 31 December 2016, the Company repurchased the 2012 senior notes due 2017 amounted to RMB210,233,000 at a price of RMB229,044,000, loss on repurchase of 2012 senior notes due 2017 of RMB18,811,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

During the year ended 31 December 2017, the 2012 notes due 2017 was repaid upon maturity on 27 September 2017.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(b) 2013 senior notes due 2020

On 22 January 2013, the Company issued guaranteed senior notes in an aggregate principal amount of US$250,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.75% per annum and interest is payable semi-annually on 22 January and 22 July in arrears. The senior notes will mature on 22 January 2020, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 22 January 2013 ("Applicable Premium 1") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 1 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 22 January 2020 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

At any time and from time to time on or after 22 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 100% percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 22 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Period	**Redemption price**
22 January 2017 – 21 January 2018	105.3750%
22 January 2018 – 21 January 2019	102.6875%
22 January 2019 and thereafter	100.0000%

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 14.6% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2016 and 2017.

(c) 2014 senior notes due 2019

On 23 January 2014, the Company issued guaranteed senior notes in an aggregate principal amount of USD300,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.625% per annum and interest is payable semi-annually on 23 January and 23 July in arrears. The senior notes will mature on 23 January 2019, unless redeemed earlier.

During the year ended 31 December 2016, the Company repurchased the 2014 senior notes due 2019 amounted to RMB148,306,000 at a price of RMB159,183,000, loss on repurchase of 2014 senior notes due 2019 of RMB10,877,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

During the year ended 31 December 2017, the Company repurchased the remaining 2014 senior notes due 2019 amounted to RMB2,023,361,000 at a price of RMB2,140,294,000, loss on repurchase of 2014 senior notes due 2019 of RMB116,933,000 is recognised in profit or loss. Upon completion of the repurchase, the 2014 senior notes due 2019 were fully repurchased and cancelled.

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41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(d) 2015 senior notes due 2018

On 27 May 2015, the Company issued guaranteed senior notes in an aggregate principal amount of USD200,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.26% of the principal amount. The senior notes are listed on the SGX and carry interest of 11.50% per annum and interest is payable semi-annually on 1 June and 1 December in arrears. The senior notes will mature on 1 June 2018, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time prior to 1 June 2018, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2015 ("Applicable Premium 2") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 2 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 1 June 2018 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

At any time and from time to time prior to 1 June 2018, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 111.50% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 12.6% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2016 and 2017.

(e) 2015 domestic corporate bonds due 2020

On 18 September 2015, a wholly-owned subsidiary of the Company, Fantasia Group (China) Co., Ltd. 花樣年集團(中國)有限公司 ("Fantasia Group China") issued domestic corporate bonds of RMB2,000,000,000 ("2015 Domestic Corporate Bonds"), which are listed on the Shanghai Stock Exchange ("SSE"). 2015 Domestic Corporate Bonds are unsecured, carry interest at rate of 6.95% per annum and interest is payable annually, commencing on 18 September 2016. 2015 Domestic Corporate Bonds will mature on 16 September 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2015 Domestic Corporate Bonds may at their options ("Put Option 1") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 1. The effective interest rate of the liability component is approximately 7.3% per annum. Put Option 1 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(f) 2016 first domestic corporate bonds due 2020

On 4 January 2016, a wholly-owned subsidiary of the Company, Fantasia Group China issued public domestic corporate bonds of RMB1,100,000,000 ("2016 First Domestic Corporate Bonds"), which are listed on the Shenzhen Stock Exchange ("SZSE"). The corporate bonds are unsecured, carry interest at rate of 7.29% per annum and interest is payable annually, commencing on 30 December 2016. 2016 First Domestic Corporate Bonds will mature on 31 December 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2016 First domestic corporate bonds may at their options ("Put Options 2") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 2. The effective interest rate of the liability component is approximately 7.46% per annum. Put Options 2 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

(g) 2016 second domestic corporate bonds due 2019

On 29 January 2016, Shenzhen Colour Life Services Group Co., Limited 深圳市彩生活服務集團有限公司 ("Shenzhen Colour Life"), a non-wholly owned subsidiary of the Company, issued first tranche of non-public domestic corporate bonds ("2016 Second Domestic Corporate Bonds") of RMB100,000,000, which are secured, carry interest at rate of 6.7% per annum and interest is payable annually, commencing on 29 January 2017 and will mature on 28 January 2019. The effective interest rate is 7.91% per annum.

On 9 September 2016, Shenzhen Colour Life issued the second tranche of 2016 Second Domestic Corporate Bonds of RMB300,000,000, which are secured, carry interest at rate of 7.00% per annum and interest is payable annually, commencing on 9 September 2017 and will mature on 8 September 2019 respectively. The effective interest rate is 8.1% per annum.

(h) 2016 third domestic corporate bonds due 2019

During the year ended 31 December 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB300,000,000 ("2016 Third Domestic Corporate Bonds") in aggregation by five tranches detailed as below:

Tranche	**Issue date**	**Maturity date**	**Interest rate per annum**	**Principal RMB'000**
First tranche	19 May 2016	19 May 2019	7.5%	500,000
Second tranche	15 July 2016	15 July 2019	6.8%	331,000
Third tranche	17 August 2016	17 August 2019	7.2%	1,300,000
Fourth tranche	23 August 2016	23 August 2019	7.3%	300,000
Fifth tranche	7 September 2016	7 September 2019	6.6%	569,000

The 2016 Third Domestic Corporate Bonds are unsecured and interest is payable annually. The five tranches of domestic corporate bonds will mature in 2019, unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the second year subsequent to the inception dates, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2016 Third Domestic Corporate Bonds may at their options ("Put Options 3") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 3. The effective interest rates of the liability component are approximately 8.22%, 7.52%, 8.05%, 8.29% and 7.97% per annum. Put Options 3 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(i) 2016 May senior notes due 2019

On 4 May 2016, the Company issued guaranteed senior notes in an aggregate principal amount of RMB600,000,000 ("2016 May Original Senior Notes"). The 2016 May Original Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2016 May Original Senior Notes are listed on the SGX and carry interest of 9.5% per annum and interest is payable semi-annually on 4 May and 4 November in arrears. The senior notes will mature on 4 May 2019, unless redeemed earlier.

On 29 August 2016, the Company issued additional guaranteed senior notes in the aggregate nominal value of RMB1,000,000,000 ("2016 May Additional Senior Notes"). The 2016 May Additional Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 101.625% of the principal amount. The 2016 May Additional Senior Notes are listed on SGX and carry interest of 9.5% per annum and interest is payable semi-annually on 29 August and 28 February in arrears, unless redeemed earlier. 2016 May Additional Senior Notes will be consolidated and form a single series with the 2016 May Original Senior Notes with the same terms and conditions of the 2016 May Original Senior Notes, except for the issue date and the issue price.

The senior notes may be redeemed in the following circumstances:

At any time prior to 4 May 2019, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 26 April 2016 ("Applicable Premium 3") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 3 is the excess of the amount equivalent to the principal amount and related interest up to 4 May 2019 discounted at 2% over the principal amount on such redemption date.

At any time and from time to time prior to 4 May 2019, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company at a redemption price of 109.50% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 10.66% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2016 and 2017.

(j) 2016 October senior notes due 2021

On 4 October 2016, the Company issued guaranteed senior notes in an aggregate principal amount of US$400,000,000 ("2016 October Original Senior Notes"). The 2016 October Original Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2016 October Original Senior Notes are listed on the SGX and carry interest of 7.375% per annum and interest is payable semi-annually on 4 October and 4 April in arrears. The senior notes will mature on 4 October 2021, unless redeemed earlier.

On 29 December 2016, the Company issued additional guaranteed senior notes in the aggregate nominal value of US$100,000,000 ("2016 October Additional Senior Notes"). The 2016 October Additional Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.884% of the principal amount. The 2016 October Additional Senior Notes are listed on SGX and carry interest of 7.375% per annum and interest is payable semi-annually on 4 October and 4 April in arrears, unless redeemed earlier. 2016 October Additional Senior Notes will be consolidated and form a single series with the 2016 October Original Senior Notes with the same terms and conditions of the 2016 October Original Senior Notes, except for the issue date and the issue price.

The senior notes may be redeemed in the following circumstances:

At any time and from time to time on or after 4 October 2019, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12 month period beginning on 4 October of the years indicated below.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(j) 2016 October senior notes due 2021 (continued)

Period	Redemption price
4 October 2019 – 3 October 2020	103.688%
4 October 2020 and thereafter	101.844%

At any time prior to 4 October 2019, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 28 September 2016 ("Applicable Premium 4") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 4 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 4 October 2019 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

At any time and from time to time prior to 4 October 2019, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 107.375% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 7.70% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2016 and 2017.

(k) 2017 June senior notes due 2018

On 13 June 2017, the Company issued guaranteed senior notes in an aggregate principal amount of US$350,000,000 ("2017 June Original Senior Notes"). The 2017 June Original Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2017 June Original Senior Notes are listed on the SGX and carry interest of 5.5% per annum and interest is payable semi-annually on 13 December 2017 and 12 June 2018 in arrears. The senior notes will mature on 12 June 2018.

On 18 September 2017, the Company issued additional guaranteed senior notes in the aggregate nominal value of US$137,000,000 ("2017 June Additional Senior Notes"). The 2017 June Additional Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2017 June Additional Senior Notes are listed on SGX and carry interest of 5.5% per annum and interest is payable semi-annually on 13 December 2017 and 12 June 2018 in arrears. 2017 June Additional Senior Notes will be consolidated and form a single series with the 2017 June Original Senior Notes with the same terms and conditions of the 2017 June Original Senior Notes, except for the issue date and the issue price.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(l) 2017 July senior notes due 2022

On 5 July 2017, the Company issued guaranteed senior notes in an aggregate principal amount of US$300,000,000. The Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.797% of the principal amount. The Senior Notes are listed on the SGX and carry interest of 7.95% per annum and interest is payable semi-annually on 5 January and 5 July in arrears. The senior notes will mature on 5 July 2022, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time and from time to time on or after 5 July 2020, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12 month period beginning on 5 July of the years indicated below.

Period	**Redemption price**
5 July 2020 – 4 July 2021	103.9750%
5 July 2021 and thereafter	101.9875%

At any time prior to 5 July 2020, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 28 June 2017 ("Applicable Premium 5") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 5 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 5 July 2020 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

At any time and from time to time prior to 5 July 2020, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 107.95% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 8.26% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and 31 December 2017.

(m) 2017 domestic corporate bonds due 2020

On 10 November 2017, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB150,000,000 ("2017 Domestic Corporate Bonds"), which are listed on SZSE. The corporate bonds are unsecured, carry interest at rate of 7.0% per annum and interest is payable annually, commencing on 10 November 2018. The issue price is 96.3% of the principal. The effective interest rate is 8.4% per annum. The 2017 Domestic Corporate Bonds will mature on 10 November 2020.

The movements of the senior notes and bonds during the year are set out below:

	2017 **RMB'000**	**2016** **RMB'000**
At 1 January	18,379,625	9,535,252
Net proceeds on the date of issuance of senior notes and bonds	5,419,191	9,304,790
Exchange (gain) loss	(670,399)	637,911
Interest expenses	1,649,157	1,364,974
Loss on early redemption of senior notes	116,933	29,688
Payment of interest	(1,495,033)	(1,104,763)
Repayment of senior notes	(1,454,238)	(1,000,000)
Early redemption of senior notes	(2,140,294)	(388,227)
At 31 December	19,804,942	18,379,625

For the year ended 31 December 2017

42. ASSETS BACKED SECURITIES ISSUED

	2017 RMB'000	2016 RMB'000
Assets backed securities issued	227,737	275,084
Carrying amounts repayable:		
Within one year	42,533	37,642
More than one year, but not exceeding two years	56,986	52,236
More than two years, but not exceeding five years	128,218	185,206
	227,737	275,084
Less: Amounts due within one year shown under current liabilities	(42,533)	(37,642)
Amounts due after one year included in non-current liabilities	185,204	237,442

In August 2016, Shenzhen Colour Life issued assets backed securities ("ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The ABS were issued at a discount of 5% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interest are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates range from 6.9% to 8.3% per annum.

For certain portion of ABS amounting to RMB135,000,000, at the end of the third year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of ABS may at their options ("Put Option 4") to sell back the ABS to the Group in whole or in part at face value of their principal amount. Put Option 4 is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability portion.

The movement of the ABS during the year is set out below:

	2017 RMB'000	2016 RMB'000
At 1 January	275,084	–
Net proceeds on the date of issuance of ABS	–	284,930
Interest expenses	19,332	6,863
Repayment of principal	(51,250)	(12,500)
Interest paid	(15,429)	(4,209)
At 31 December	227,737	275,084

For the year ended 31 December 2017

43. DEFINED BENEFIT OBLIGATIONS

ASIMCO Tianwei Fuel Injection Equipment Stock (Beijing) Co., Ltd. 北京亞新科天緯油泵油嘴股份有限公司 ("ASIMCO Tianwei"), a non-wholly-owned subsidiary of the Company paid post-employment obligations to its eligible employees who had retired and would be retired in the future as at 31 December 2012 in the PRC in accordance with employee benefit scheme adopted by the subsidiary. These benefits were only applicable to the qualifying employees.

The plan exposes the Group to actuarial risks such as interest rate risk, salary increase risk, average salary expense risk and turnover rate risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. As such, a decrease in the bond interest rate will increase the plan liability.
Salary increase risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the salary of the plan participants will increase the plan liability.
Average salary expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average salary expense of plan participants. As such, an increase in the average salary expense of the plan participants will increase the plan liability.
Turnover rate risk	The present value of the defined benefit plan obligations is calculated by reference to the future turnover of plan participants. As such, a decrease in the turnover of the plan participants will increase the plan liability.

The actuarial valuation of the present value of the defined benefit obligations as at 31 December 2016 and 2017 was carried out by an independent firm of actuaries, Aon Hewitt Consulting (Shanghai) Co., Ltd., a member of American Academy of Actuaries. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2017	31 December 2016
Discount rate	4.25%	3.75%
Salary increase rate	5.00%	5.00%
Average salary expense trend rate	5.00%	5.00%
Turnover rate	4.00%	4.00%

For the year ended 31 December 2017

43. DEFINED BENEFIT OBLIGATIONS (continued)

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2017 RMB'000	2016 RMB'000
Service cost	1,435	1,590
Interest cost	2,383	2,146
Components of defined benefit costs recognised in profit or loss	3,818	3,736
Component of defined benefit costs recognised in other comprehensive income	8,035	22,974
Total	11,853	26,710

Service cost is included in the administrative expenses in profit or loss. The interest cost is included in the finance costs in profit or loss. The remeasurement of the net defined benefit obligations arising from changes in financial assumptions is included in other comprehensive income.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	126,952	–
Liabilities assumed in a business combination (note 46(b))	–	102,813
Service cost	1,435	1,590
Interest cost	2,383	2,146
Benefits paid (note a)	(73,120)	(2,571)
Liabilities extinguished on settlements (note b)	(62,850)	–
Actuarial losses arising from changes in financial assumptions recognised in other comprehensive income	8,035	22,974
At 31 December	2,835	126,952

For the year ended 31 December 2017

43. DEFINED BENEFIT OBLIGATIONS (continued)

Notes:

During the year ended 31 December 2017, ASIMCO Tianwei relocated of its plant from Beijing to Tian Jin. After negotiation with retired employees and existing employees, the Group entered into benefit transfer arrangements with retired employees and termination contracts with existing employees, details are as follows:

(a) Pursuant to the benefit transfer arrangements, the Group transferred its post-employment obligations to a large portion of the retired employees to China Pacific Life Insurance Co., Ltd. at a consideration of RMB73,120,000. With the effectiveness of the benefit transfer arrangement, the Group did not have any post-employment obligations to those retired employees under the employee benefit scheme adopted by the Group as at 31 December 2017.

(b) Pursuant to the termination contracts, the Group would settle severance payment amounting to at RMB169,864,000 in aggregation with the employees. Upon settlement of the severance payments, the post-employment obligations amounting to RMB62,850,000 were extinguished and loss of settlement of defined benefit obligations amounting to RMB107,014,000 was recognised in profit or loss during the year ended 31 December 2017.

Mortality is assumed to be the average life of expectancy of residents in the PRC and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

Significant actuarial assumptions made in determining defined benefit obligations are discount rate and salary increase rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other factors constant.

- If the discount rate on benefit obligations increase by 1% (2016:1%), the defined benefit obligations would decrease by RMB444,000 (2016:RMB17,133,000) for the year ended 31 December 2017;

- If the discount rate on benefit obligations decrease by 1% (2016:1%), the defined benefit obligations would increase by RMB558,000 (2016:RMB21,814,000) for the year ended 31 December 2017;

- If the salary increase rate increases by 1% (2016:1%), the defined benefit obligations would increase by RMB170,000 (2016:RMB5,389,000) for the year ended 31 December 2017; and

- If the salary increase rate decreases by 1% (2016:1%), the defined benefit obligations would decrease by RMB154,000 (2016:RMB4,724,000) for the year ended 31 December 2017.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

For the year ended 31 December 2017

43. DEFINED BENEFIT OBLIGATIONS (continued)

There was no change in the methods and assumptions used in preparing the sensitivity analysis during the reporting period.

The average duration of the benefit obligations can be analysed as follows:

- Retired members: 10.4 years (2016: 9.8 years) for the year ended 31 December 2017; and
- Current members: 21.6 years (2016: 21.1 years) for the year ended 31 December 2017.

44. PROVISIONS

	2017 RMB'000	2016 RMB'000
Analysed for reporting purposes as:		
Current liabilities	40,131	37,154

	Properties provision RMB'000 (note a)	Warranty provision RMB'000 (note b)	Total RMB'000
At 1 January 2017	20,491	16,663	37,154
Addition of provision	–	26,304	26,304
Utilisation of provision	–	(23,327)	(23,327)
At 31 December 2017	20,491	19,640	40,131

Notes:

(a) In 2013, the Group acquired Shenzhen Tengxing Hongda Investment Development Co., Ltd. 深圳騰星宏達投資發展有限公司 ("Shenzhen Tengxing") from an independent third party. Pursuant to the sales and purchase agreement, the Group agreed with the former equity holder of Shenzhen Tengxing that after the property project construction completed by the Group, the Group is required to transfer 5% of the completed property of this property project to the former equity holder of Shenzhen Tengxing.

The potential amount of the costs (including development expenditure and other attributable expenses of the construction of properties) to be incurred to complete for this 5% completed property to be delivered to the former equity holder of Shenzhen Tengxing is accounted for as a provision. The property project construction was completed as at 31 December 2017 and the completed properties are to be delivered on demand.

(b) The provision represented the warranty provision granted on fuel pumps, which is the management's best estimate of the Group's liability under 1 year warranty granted on fuel pumps, based on prior experience and industry averages for defective products.

For the year ended 31 December 2017

45. SHARE CAPITAL

	Number of shares	Amount HK$	Equivalent to RMB'000
Ordinary shares of HK0.1 each			
Authorised:			
At 1 January 2016, 31 December 2016 and 2017	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2016	5,761,179,424	576,117,942	497,797
Issue of shares upon exercise of share options	617,640	61,764	51
At 31 December 2016	5,761,797,064	576,179,706	497,848
Issue of shares upon exercise of share options	225,160	22,516	20
At 31 December 2017	5,762,022,224	576,202,222	497,868

46. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through acquisition of subsidiaries

For the year ended 31 December 2017

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
江西銀盛房地產開發有限公司 Jiangxi Yinsheng Real Estate Co., Ltd. ("Jiangxi Yinsheng")	The PRC	March	100%	10,000
武漢市嘉倫誠泰商貿有限公司 Wuhan Jialun Chengtai Commercial Trading Co., Ltd. ("Wuhan Jialun")	The PRC	March	67%	30,000
太倉起浩商貿有限公司 Taicang Qihao Commercial Trading Co., Ltd. ("Taicang Qihao")	The PRC	June	100%	275,973
成都牽銀投資有限公司 Chengdu Qianyin Investment Co., Ltd. ("Chengdu Qianyin")	The PRC	August	100%	118,905
Nanjing Zhongchu (Note 16(a))	The PRC	August	10%	513,261

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2017 (continued)

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
武漢中森華永紅房地產開發有限公司 Wuhan Zhongsenhua Yonghong Property Development Co., Ltd. ("Wuhan Zhongsenhua")	The PRC	September	100%	127,000
惠州市光亮房地產開發有限公司 Huizhou Guangliang Property Development Co., Ltd. ("Huizhou Guangliang")	The PRC	November	100%	1,630,000
四川亙興商貿有限公司 Sichuang Genxing Commercial Trading Co., Ltd. ("Sichuan Genxing")	The PRC	December	100%	2,456

During the year ended 31 December 2017, the Group acquired 10% equity interest of Nanjing Zhongchu from the other joint venture partner. Except for the acquisition of Nanjing Zhongchu, the remaining subsidiaries were acquired from independent third parties. The acquisitions were accounted for as purchase of assets and liabilities.

For the year ended 31 December 2016

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
四川瀚峰置業有限公司 Sichuan Hanfeng Real Estate Co., Ltd. ("Sichuan Hanfeng")	The PRC	July	91%	727,900
上海粵商投資有限公司 Shanghai Yueshang Investment Co., Ltd.	The PRC	November	100%	151,610

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2016 (continued)

During the year ended 31 December 2016, all the subsidiaries were acquired from independent third parties. The acquisitions were accounted for as purchase of assets and liabilities.

Details of the net assets acquired in respect of the above transaction are summarised below:

	2017 RMB'000	2016 RMB'000
Net assets acquired		
Property, plant and equipment	2,517	35
Investment properties	800,992	–
Available-for-sale investment	1,300	–
Prepaid lease payments	–	360,641
Premium on prepaid lease payments	–	403,861
Properties under development for sale	4,936,274	280,100
Trade and other receivables	301,200	35,864
Tax recoverables	21,966	–
Bank balances and cash	75,028	8
Trade and other payables	(1,094,345)	(168,951)
Deposits received for sale of properties	(545,789)	–
Amounts due to certain subsidiaries of the Company	(284,026)	–
Borrowings	(1,437,030)	–
	2,778,087	911,558

The trade and other receivables (including amounts due from certain subsidiaries of the Company) acquired with a fair value of RMB301,200,000 (2016: RMB35,864,000) as at the date of acquisitions during the year ended 31 December 2017, approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2016 (continued)

	2017 **RMB'000**	**2016** **RMB'000**
Total consideration satisfied by:		
Cash	910,553	755,610
Consideration payables due within one year included in trade and other payables	1,357,104	123,900
	2,267,657	879,510
Add: Non-controlling interests	70,492	32,048
Fair value of the Group's previously held equity interest in Nanjing Zhongchu	439,938	–
	2,778,087	911,558

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets amounting to RMB70,492,000 (2016: RMB32,048,000) as at the date of acquisitions during the year ended 31 December 2017.

The fair value of the Group's previously held equity interest in Nanjing Zhongchu is estimated by an independent valuer through application of residual approach and income approach and the key inputs of the valuation are the gross development value on completion basis, construction costs to completion and the discount rates. The difference between the fair value and the carrying amount of the Group's previously held interest in Nanjing Zhongchu amounting to RMB103,489,000 was recognised as gain on remeasurement during the year ended 31 December 2017.

	2017 **RMB'000**	**2016** **RMB'000**
Net cash outflow arising on acquisitions		
Cash consideration paid in current year	(910,553)	(755,610)
Bank balances and cash acquired	75,028	8
	(835,525)	(755,602)

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses

For the year ended 31 December 2017

The Group acquired following companies at a total consideration of RMB1,238,652,000. At the time of acquisition, the directors of the Company are of the view that the acquisition constitutes businesses combination. The transactions have been accounted for using the purchase method accordingly.

The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property management.

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
福建永嘉商業物業管理有限公司 Fujian Yongjia Commercial Property Management Co., Ltd.	1,200	March	60%	Provision of property operation services
武漢天宇弘物業管理有限公司 Wuhan Tianyuhong Property Management Co., Ltd. ("Wuhan Tianyuhong") (note b)	4,800	March	80%	Provision of property operation services
寶雞市彩生活物業管理有限公司 Baoji Colour Life Property Management Co., Ltd. ("Baoji Jufeng") (note b)	3,500	March	70%	Provision of property operation services
九江中輝恒佳物業服務有限公司 Jiujiang Zhonghui Hengjia Property Service Co., Ltd. ("Jiujiang Zhonghui") (note b)	– (note a)	March	100%	Provision of property operation services
深圳市前海微生活網路服務有限公司 Shenzhen Qianhai Weishenghuo Internet Services Co., Ltd.	– (note a)	August	100%	Provision of property operation services
長沙市觀瀾湖物業服務有限公司 Changsha Guanlanhu Property Services Co., Ltd.	30,000	September	80%	Provision of property operation services
南昌福田物業管理有限公司 Nanchang Futian Property Management Co., Ltd.	11,980	September	80%	Provision of property operation services
常州源鑫物業服務有限公司 Changzhou Yuanxin Property Management Co., Ltd.	10,000	September	100%	Provision of property operation services
高郵市通揚物業服務有限公司 Gaoyou Tongyang Property Services Co., Ltd.	3,300	September	70%	Provision of property operation services

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2017 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
成都浩佳物業服務有限公司 Chengdu Haojia Property Management Co., Ltd.	15,800	September	90%	Provision of property operation services
武漢九坤捷城物業管理有限公司 Wuhan Jiukun Jiecheng Property Management Co., Ltd.	– (note a)	September	70%	Provision of property operation services
常州九洲福安物業服務有限公司 Changzhou Jiuzhou Fuan Property Services Co., Ltd.	39,700	November	100%	Provision of property operation services
本溪金利物業有限公司 Benxi Jinli Property Co., Ltd.	6,200	December	80%	Provision of property operation services
上海同涞物業管理有限公司 Shanghai Tonglai Property Management Co., Ltd. ("Shanghai Tonglai")	100,000	December	100%	Provision of property operation services
上海友全物業管理有限公司 Shanghai Youquan Property Management Co., Ltd.	12,652	December	70%	Provision of property operation services
濟南齊華物業管理有限公司 Jinan Qihua Property Management Co., Ltd.	7,000	November	51%	Provision of property operation services
Shenzhen Jiaxin (note b and c)	992,520	December	100%	Provision of property operation services

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2017 (continued)

Notes:

(a) The consideration was less than RMB1,000.

(b) During the year ended 31 December 2017, the Group acquired 80%, 70% and 100% equity interest of Wuhan Tianyuhong, Baoji Jufeng and Jiujiang Zhonghui, respectively, from certain non-controlling shareholders of subsidiaries of the Company, and acquired 100% equity interest in Shenzhen Jiaxin from a joint venture partner of the Group. Except for the acquisitions of Wuhan Tianyuhong, Baoji Jufeng and Jiujiang Zhonghui, the remaining subsidiaries were acquired from independent third parties.

(c) On 29 December 2017, the Group acquired the 100% equity interest in Shenzhen Jiaxin, a limited party of Shenzhen Wanxiang, from Chuangshi Jianian, a joint venture of the Group, at a consideration of RMB992,520,000. On the same day, the Group entered into a supplemental partnership agreement with other partners regarding the revision of the terms of the cooperation. Thereafter, the Group have 100% beneficial interest in Shenzhen Wanxiang and 100% equity interest in Wanxiangmei. Shenzhen Wanxiang and its subsidiaries are reclassified from joint ventures to subsidiaries of the Company. Details are set out in note 16(b).

For the year ended 31 December 2016

The Group acquired following companies at a total consideration of RMB729,368,000. At the time of acquisition, the directors of the Company were of the view that the acquisition constitutes businesses combination. The transactions had been accounted for using the purchase method accordingly.

The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property development, property management and other operations.

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
美國ASIMCO第三投資公司 American ASIMCO Investments III Ltd.	438,825	June	100%	Manufacturing and sale of fuel pumps
合浦縣南珠物業服務有限責任公司 Hepu Nanzhu Property Service Co., Ltd.	8,000	January	80%	Provision of property operation services
襄陽美溢達物業服務有限公司 Xiangyang Meiyida Property Service Co., Ltd.	3,600	January	80%	Provision of property operation services
包頭市眾聯行物業服務有限公司 Baotou Zhonglianhang Property Service Co., Ltd.	3,580	January	80%	Provision of property operation services
婁底市和園物業服務有限公司 Loudi Heyuan Property Service Co., Ltd.	300	January	51%	Provision of property operation services
寧夏藍山之家物業服務有限公司 Ningxia Nanshan Zhijia Property Service Co., Ltd.	– (note a)	February	80%	Provision of property operation services

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
連雲港市鴻鑫物業管理有限公司 Lianyungang Hongxin Property Management Co., Ltd.	3,000	April	70%	Provision of property operation services
長沙美景物業管理有限公司 Changsha Meijing Property Management Co., Ltd.	5,000	April	70%	Provision of property operation services
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.	81,749	June	87%	Provision of property operation services
成都嘉迅物業管理有限公司 Chengdu Jiaxun Property Management Co., Ltd.	12,104	June	100%	Provision of property operation services
江蘇立德綠色建築系統集成有限公司 Jiangsu Leedeer Fabricated Green Building Co. Ltd.	30,000	July	60%	Provision of construction services
上海軒宇物業管理有限公司 Shanghai Xuanyu Property Management Co., Ltd.	2,530	August	80%	Provision of property operation services
常州九洲福安物業服務有限公司 Changzhou Jiuzhou Fuan Property Management Co., Ltd.	31,700	August	100%	Provision of property operation services
昆山中恒物業管理有限公司 Kunshan Zhongheng Property Management Co., Ltd.	5,679	August	80%	Provision of property operation services
常州源鑫物業服務有限公司 Changzhou Yuanxin Property Management Co., Ltd.	6,000	August	100%	Provision of property operation services
江蘇金陽物業管理有限責任公司 Jiangsu Jinyang Property Management Co., Ltd.	5,880	August	80%	Provision of property operation services
福州三澤物業管理有限公司 Fuzhou Sanze Property Management Co., Ltd.	– (note a)	August	80%	Provision of property operation services
東莞市方圓物業管理有限公司 Dongguan Fangyuan Property Management Co., Ltd.	3,130	August	90%	Provision of property operation services
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	90,100	August	100%	Provision of property operation services

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
貴州深宏業物業服務有限公司 Guizhou Shenhongye Property Management Co., Ltd.	8,800	August	80%	Provision of property operation services
福州新三澤物業服務有限公司 Fuzhou Xinsanze Property Management Co., Ltd.	9,000	August	80%	Provision of property operation services
四川省西城物業經營管理有限公司 Sichuan Xicheng Property Operation Management Co., Ltd.	5,760	August	80%	Provision of property operation services
廣安市現代物業管理有限責任公司 Guangan Xiandai Property Management Co., Ltd.	1,920	August	80%	Provision of property operation services
內江金黃物業管理有限公司 Neijiang Jinhuang Property Management Co., Ltd.	2,000	August	80%	Provision of property operation services
貴州深宏運商業運營管理有限公司 Guizhou Shenhongyun Business Operation Management Co., Ltd.	– (note a)	August	80%	Property management
贛州嘉聯運物業管理有限公司 Ganzhou Jialianyun Property Management Co., Ltd.	2,080	September	80%	Provision of property operation services
福建永嘉商業物業管理有限公司 Shanghai Xuanyu Property Management Co., Ltd.	1,200	October	60%	Provision of property operation services
南昌市友聯置業有限公司 Nanchang Union Real Estate Co. Ltd.	1,320	November	60%	Provision of property operation services
武漢美樂居置業有限公司 Wuhan Miller Real Estate Co., Ltd.	5,010	November	50%	Provision of property operation services

Notes:

(a) The consideration was less than RMB1,000.

(b) During the year ended 31 December 2016, all the subsidiaries were acquired from independent third parties.

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Total consideration transferred

	2017 RMB'000	2016 RMB'000
Cash	140,860	668,994
Deposits paid in prior years	102,412	14,891
Consideration payables due within one year included in trade and other payables	995,380	45,483
	1,238,652	729,368

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	71,573	285,750
Interests in an associate	453	–
Interests in a joint venture	207	–
Intangible assets	1,092,852	81,378
Prepaid lease payments	–	59,791
Premium on prepaid lease payments	–	1,231,740
Inventories	–	65,224
Trade and other receivables	743,106	420,473
Tax recoverable	24,144	–
Amounts due from certain subsidiaries of the Company	378,971	–
Amounts due from non-controlling shareholders of the subsidiaries	39,212	41,949
Bank balances and cash	1,055,833	52,905
Trade and other payables	(1,174,704)	(490,967)
Amounts due to certain subsidiaries of the Company	(146,901)	(270,186)
Amounts due to non-controlling shareholders of the subsidiaries	(4,872)	–
Amount due to a joint venture	(14)	–
Amount due to an associate	(372)	–
Tax liabilities	(855)	(2,826)
Borrowings	(344,600)	(48,053)
Provision	–	(14,873)
Defined benefit obligations	–	(102,813)
Deferred tax liabilities	(271,163)	(253,224)
Other loan (note)	(1,000,000)	–
	462,870	1,056,268

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Assets acquired and liabilities recognised at the dates of acquisition are as follows: (continued)

Note: During the year ended 31 December 2017, the Group entered into a supplemental partnership agreement with other joint venture partners of Shenzhen Wanxiang, regarding the revision of terms of the cooperative agreement. Pursuant to the supplemental agreement, the Group obtained effective control over Shenzhen Wanxiang which became a wholly-owned subsidiary of the Company (details are set out in note 16(b)) and the fixed return on the loan provided by the former joint venture partner was changed from 4.379% per annum to at 8.63% per annum. Upon completion of the aforesaid acquisition, the amount due to the former joint venture partner was reclassified to other loan.

The trade and other receivables (including amounts due from certain subsidiaries of the Company and non-controlling shareholders of the subsidiaries of the Company) acquired with a fair value of RMB1,161,289,000 (2016: RMB462,422,000) as at the date of acquisitions during the year ended 31 December 2017 approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

The fair value of intangible assets acquired in business combination as at the date of acquisitions is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs are in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

Goodwill arising on acquisitions

	2017 RMB'000	2016 RMB'000
Consideration transferred	1,238,652	729,368
Add: Non-controlling interests	24,299	506,101
Fair value of the Group's previously held equity interest in Shenzhen Wanxiang classified as interests in joint ventures	647,983	–
Fair value of the Group's previously held equity interest in Wanxiangmei classified as available-for-sale investments	30,000	–
Less: Fair value of net identifiable assets acquired	(462,870)	(1,056,268)
	1,478,064	179,201

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets amounting to RMB24,299,000 (2016: RMB506,101,000) at the acquisition date during the year ended 31 December 2017.

The fair value of the Group's previously held interests in Shenzhen Wanxiang and Wanxiangmei is estimated by an independent valuer and the key inputs of the valuation are the expected future cash inflows/outflows of Shenzhen Wanxiang and Wanxiangmei, the growth rates and the discount rates. The difference between the fair value and the carrying amounts of the Group's previously held interests in Shenzhen Wanxiang and Wanxiangmei amounting to RMB459,230,000 was recognised as gain on remeasurement during the year ended 31 December 2017.

Goodwill was arisen on the acquisitions of subsidiaries during the years ended 31 December 2017 and 2016, because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Goodwill arising on acquisitions (continued)

Intangible assets of RMB1,092,852,000 (2016: RMB81,378,000) in relation to the acquisition of subsidiaries under property management services segment have been recognised by the Group.

None of the goodwill arising on the acquisitions are expected to be deductible for tax purposes. The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net identifiable assets/liabilities at the acquisition dates.

Net cash inflow (outflow) arising on acquisitions

	2017 RMB'000	2016 RMB'000
Cash consideration paid	(140,860)	(668,994)
Less: Bank balances and cash acquired	1,055,833	52,905
	914,973	(616,089)

47. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the year ended 31 December 2017

(i) In March 2017, the Group disposed of its 100% equity interests in Shenzhen Huigang Property Management Co., Ltd. 深圳市匯港物業管理有限責任公司 to an independent third party for a consideration of RMB5,500,000, which is engaged in property management services in the PRC.

(ii) In June 2017, the Group disposed of its 100% equity interests in Xiehe Golf (Shanghai) Co., Ltd. 協和高爾夫(上海)有限公司, to an independent third party for a consideration of RMB120,000,000, which is engaged in hotel operation.

(iii) In December 2017, the Group disposed of its 100% equity interest in Jingchuan Fantasia Culture Tourism Development Co., Ltd. 涇川花樣年文化旅游產業開發有限公司 to an independent third party for a consideration of RMB220,000,000, which is engaged in property development in the PRC.

For the year ended 31 December 2016

(i) In May 2016, the Group disposed of the 100% equity interests of Shenzhen Huajun Investment Management Co., Ltd. 深圳花郡投資管理有限公司 to a third party for a consideration of RMB549,305,000, which is engaged in property investment.

(ii) In November 2016, the Group disposed of the 100% equity interests of Sichuan Ximei Investment Co., Ltd. 四川西美投資有限公司 to Shenzhen Dingsheng, a joint venture of the Company for a consideration of RMB1,100,000,000, which is engaged in property development.

(iii) In December 2016, the Group disposed of certain investment properties through the disposal of the 100% equity interests of Wuxi Fantasia Real Estate Co., Ltd. 無錫花樣年房地產有限公司 to a third party for a consideration of RMB51,000,000, which is engaged in property development.

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries (continued)

For the year ended 31 December 2017 (continued)

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

	2017 RMB'000	2016 RMB'000
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	18,673	1,543
Investment properties	3,593	697,431
Goodwill	24,087	–
Prepaid lease payment	131,031	–
Deferred tax assets	–	60,691
Trade and other receivables	84,997	116,862
Properties for sale	362,998	3,482,224
Tax recoverable	2,585	–
Amount due from a joint venture of the Company	–	777,116
Amounts due from certain subsidiaries of the Company	8,872	–
Bank balances and cash	2,851	67,159
Trade and other payables	(427,406)	(868,415)
Deposits received on sale of properties	(50,764)	(290,809)
Tax liabilities	–	(437,502)
Borrowings	(10,000)	(50,000)
Amount due to a non-controlling shareholder of a subsidiary of the Company	(445)	–
Amounts due to certain subsidiaries of the Company	(110,061)	(1,846,568)
Amounts due to joint ventures	–	(3,901)
Deferred tax liabilities	(546)	(46,459)
	40,465	1,659,372
Gain on disposal of subsidiaries:		
Cash consideration	345,500	1,674,805
Consideration receivables	–	25,500
	345,500	1,700,305
Add: Non-controlling interest	1,193	–
Less: Net assets disposed of	(40,465)	(1,659,372)
	306,228	40,933
Net cash inflow arising on disposal:		
Cash consideration	345,500	1,674,805
Bank balances and cash disposed of	(2,851)	(67,159)
	342,649	1,607,646

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries without loss of control

For the year ended 31 December 2017

(i) During the year ended 31 December 2017, an independent investor injected capital in the form of registered capital and contribution reserve amounting to RMB237,900,000 and RMB762,100,000 respectively to Sichuan Hanfeng, a non-wholly owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Sichuan Hanfeng from 91% to 55%. The Group still have control over the relevant activities of Sichuan Hanfeng after the partial disposal. The difference between the capital injected by the independent investor and the attributable equity interest in Sichuan Hanfeng disposed amounted to RMB244,864,000 was credited to special reserve. Sichuan Hanfeng is engaged in property development in the PRC. As at 31 December 2017, the capital was fully injected to Sichuan Hanfeng.

(ii) During the year end 31 December 2017, an independent investor injected capital in the form of registered capital and contribution reserve amounting to RMB376,667,000 and RMB123,333,000 respectively to Tianjin Huaqianli Real Estate Co., Ltd. 天津市花千里房地產開發有限公司 ("Tianjin Huaqianli"), a wholly owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Tianjin Huaqianli from 100% to 60%. The Group still have control over the relevant activities of Tianjin Huaqianli after the partial disposal. The difference between the capital injected by the independent investor and the attributable equity interest in Tianjin Huaqianli disposed amounted to RMB26,009,000 was debited in special reserve. Tianjin Huaqianli is engaged in property development in the PRC. As at 31 December 2017, the capital was fully injected to Tianjin Huaqianli.

(iii) During the year ended 31 December 2017, the Group disposed of its 20% equity interest in Suzhou Yiya Property Management Co., Ltd. 蘇州易亞物業管理有限公司 ("Suzhou Yiya"), to an independent third party, for a cash consideration of RMB2,610,000. The Group retained 50% equity interest in Suzhou Yiya and still have control over the relevant activities of Suzhou Yiya after the partial disposal. The difference of RMB1,203,000 between the consideration received and the proportionate share of the net assets of Suzhou Yiya by the non-controlling shareholder was credited to special reserve. Suzhou Yiya is engaged in provision of property operation services in the PRC. As at 31 December 2017, the consideration was fully settled.

(iv) During the year ended 31 December 2017, an independent investor injected capital in the form of registered capital and contribution reserve amounting to RMB107,143,000 and RMB692,857,000 respectively to Guilin Wanhao Property Co., Ltd. 桂林萬豪房地產開發有限公司 ("Guilin Wanhao"), a wholly-owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Guilin Wanhao from 100% to 70%. The Group still have control over the relevant activities of Guilin Wanhao after the partial disposal. The difference between the capital injected by the independent investor and the attributable equity interest in Guilin Wanhao disposed amounted RMB415,906,000 was credited to special reserve. Guilin Wanhao is engaged in property development in the PRC. As at 31 December 2017, the capital of RMB400,000,000 was injected to Guilin Wanhao. At the date these consolidated financial statements are authorised issuance, the outstanding balance of RMB400,000,000 was injected to Guilin Wanhao.

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries without loss of control (continued)

For the year ended 31 December 2017 (continued)

(v) During the year ended 31 December 2017, an independent investor injected capital in the form of registered capital and contribution reserve amounting to RMB576,416,000 and RMB423,584,000 respectively to Fantasia (Chengdu) Ecological Tourism Co., Ltd. 花樣年(成都)生態旅遊開發有限公司 ("Chengdu Tourism"), a wholly-owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Chengdu Tourism from 100% to 70%. The Group still have control over the relevant activities of Chengdu Tourism after the partial disposal. The difference between the capital injected by the independent investor and the attributable equity interest in Chengdu Tourism disposed amounted to RMB144,777,000 was credited to special reserve. Chengdu Tourism is engaged in property development in the PRC. As at 31 December 2017, the capital of RMB500,000,000 was injected to Chengdu Tourism. At the date these consolidated financial statements are authorised for issuance, the outstanding balance of RMB500,000,000 was injected to Chengdu Tourism.

For the year ended 31 December 2016

During the year ended 31 December 2016, Shenzhen Home E&E Commercial Services Group Co., Ltd. 深圳市美易家商務服務集團股份有限公司 ("Home E&E"), a non-wholly owned subsidiary of the Company, issued shares to several third parties at a total cash consideration of RMB71,759,000. Upon completion of the share subscription, the shareholding of the Company was diluted from 70.00% to 69.29% and it constituted a deemed disposal of partial interests in a subsidiary without loss of control. The difference between the consideration received and the share of net assets attributable to the 0.71% equity interest in Home E&E at the date of partial disposal of interests in Home E&E amounted to RMB6,989,000 was credited to special reserve. Home E&E is engaged in property operation services in the PRC.

	2017 RMB'000	2016 RMB'000
Capital injected by non-controlling shareholders	2,400,000	–
Capital receivables due from non-controlling shareholders	900,000	–
Consideration received from the non-controlling shareholders	2,610	71,759
Less: Attributable equity interests in the aforesaid subsidiaries to non-controlling shareholders	(2,521,869)	(64,770)
Amounts recognised in special reserve	780,741	6,989

(c) Disposal of partial interests in subsidiaries resulting in loss of control

For the year ended 31 December 2017

(i) During the year ended 31 December 2017, the Group disposed of its 80% equity interest in Xuzhou Binhu Garden Property Management Co., Ltd. 徐州市濱湖花園物業管理有限公司, ("Xuzhou Binhu") to an independent third party for a cash consideration of RMB3,680,000, resulting in loss of control upon completion of the transaction. The remaining 10% equity interest in Xuzhou Binhu is classified as interests in associates. Xuzhou Binhu is engaged in provision of property operation services in the PRC.

(ii) During the year ended 31 December 2017, the Group disposed of its 55.1% of equity interest in Xi'an Rongxin Property Management Co., Ltd. 西安榮鑫物業管理有限公司 ("Xi'an Rongxin") to Ms. Cui Ronghua 崔榮華, a non-controlling shareholder of a subsidiary and an independent third party, for a cash consideration of RMB10,389,000 and RMB10,000,000 respectively, resulting in loss of control upon completion of the transaction. The remaining 4.9% equity interest in Xi'an Rongxin is classified as available-for-sale investments. Xi'an Rongxin is engaged in provision of property operation services in the PRC.

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2017 (continued)

(iii) During the year ended 31 December 2017, an independent third party contributed RMB10,000,000 to Shenzhen Yixuan Technology Co., Ltd. 深圳懿軒科技有限公司 ("Shenzhen Yixuan"). After the capital injection, the equity interests, profit sharing and voting rights held by the Group was diluted from 51% to 46% and is classified as interests in joint ventures. Shenzhen Yixuan is engaged in provision of equipment leasing service in the PRC.

(iv) During the year ended 31 December 2017, the Group disposed of its 80% of equity interest in Shenzhen Yongli Hongying Investment Co., Ltd. 深圳永利鴻盈投資有限公司 ("Shenzhen Yongli") to an independent third party, for a cash consideration of RMB600,000,000, resulting in loss of control upon completion of the transaction. The remaining 1% equity interest in Shenzhen Yongli is classified as available-for-sale investments of the Group. Shenzhen Yongli is engaged in property development in the PRC.

For the year ended 31 December 2016

(i) During the year ended 31 December 2016, Shenzhen Fantasia Real Estate Group Co., Ltd. 深圳市花樣年地產集團有限公司 ("Shenzhen Fantasia") and Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. 深圳前海嘉年投資基金管理有限公司, the wholly-owned subsidiaries of the Company, and two independent third parties entered into a partnership agreement to establish a partnership Wuhu Xinjia. The partnership is engaged in industrial investment and investment management. The 46% shareholding of the Group in the partnership is classified as interest in an associate of the Group.

Pursuant to the partnership agreement, the capital contribution by the Group are RMB771,000,000 and satisfied by the transfer of 99% equity interests Huawanli Investment (Beijing) Co., Ltd. 花萬里投資(北京)有限公司 ("Beijing Huawanli") and the cash of RMB500,000 while the capital contribution by other parties are RMB900,500,000 in cash. Upon transfer of 99% equity interests and establishment of the partnership, the Group had lost control over Beijing Huawanli and the remaining 1% equity interest in Beijing Huawanli is classified as interest in an associate since all the strategic financial and operating decisions must be approved by two to third of voting power in shareholders' meeting. Beijing Huawanli is engaged in property development in the PRC.

(ii) During the year ended 31 December 2016, the Group disposed of 95% equity interest in Suzhou Linjiayan to an independent third party for a cash consideration of RMB665,000,000, resulting in loss of control upon completion of the transaction. The remaining 5% equity interest in Suzhou Linjiayan is accounted for as available-for-sale investments upon disposal. Suzhou Linjiayan is engaged in property development in the PRC.

(iii) On 25 August 2016, Chuangshi Jianian is newly formed upon a fund investment agreement entered by Fantasia Group China, Shenzhen Colour Life, Home E&E, the subsidiaries of the Company, Wuhu Gopher Asset Management Co., Ltd. 蕪湖歌斐資產管理有限公司 ("Wuhu Gopher"), an independent third party ("Investment Agreement"). In relation to the formation of Chuangshi Jianian, Fantasia China, Shenzhen Colour Life, Home E&E and Wuhu Gopher provided capital contribution of RMB260,000,000, RMB60,000,000, RMB60,000,000 and RMB600,000,000, representing approximately 26.5%, 6.1%,6.1% and 61.3% interest in Chuangshi Jianian, respectively. After that, Chuangshi Jianian acquired 100% equity interest in Shenzhen Jianxin with cash consideration of RMB204,000,000 and provided loan of RMB776,000,000. In connection to the transaction, Shenzhen Jiaxin would cease to be a subsidiary of the Group and the Group's aggregate interest of 38.7% in Chuangshi Jianian is accounted for as interests in joint ventures.

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47. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

These transactions were accounted for as disposal of partial interests in subsidiaries resulting in loss of control.

Assets and liabilities derecognised at dates of loss of control of the disposed subsidiaries are as follows:

	2017 RMB'000	**2016 RMB'000**
Assets and liabilities disposed at the date of loss of control of the disposed subsidiaries are as follows:		
Property, plant and equipment	62,688	581
Investment properties	–	7,000
Goodwill	16,911	–
Prepaid lease payments	–	418,612
Premium on prepaid lease payments	–	172,344
Properties for sale	1,308,365	14,473
Trade and other receivables	124,314	74,085
Deferred tax asset	5,215	–
Amount due from a joint venture	–	985,167
Amount due from an associate	117,678	–
Amounts due to certain subsidiaries of the Company	156,868	–
Bank balances and cash	14,016	727,638
Trade and other payables	(286,239)	(267,668)
Deposits received for sale of properties	(36,108)	–
Amounts due to a joint venture	(694)	
Amounts due to certain subsidiaries of the Company	(771,931)	(407,027)
Amounts due to non-controlling shareholders	(7,474)	–
Tax liabilities	(35,779)	–
Deferred tax liabilities	–	(262)
	667,830	1,724,943

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47. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

	2017 RMB'000	2016 RMB'000
Gain on disposal of subsidiaries:		
Cash received during the year	615,069	932,500
Cash capital injection received	10,000	–
Consideration receivables due within one year	9,000	332,500
Total consideration and capital injection	634,069	1,265,000
Non-controlling interest	1,106	–
Reclassified as interest in an associate	–	661,680
Fair value of retained equity interests in:		
– classified as interests in associates		
Xuzhou Binhu	460	–
Beijing Huawanli	–	5,395
– classified as interests in joint ventures		
Shenzhen Yixuan (note)	44,130	–
Chuangshi Jianian	–	382,000
– classified as available-for-sale investments		
Xi'an Rongxin	1,813	–
Shenzhen Yongli	6,309	–
Suzhou Linjiayan	–	10,015
Less: Net assets disposed of	(667,830)	(1,724,943)
	20,057	599,147

Note: The fair value of retained equity interests in Shenzhen Yixuan is estimated by an independent valuer through application of income approach and the key inputs of the valuation are the expected future cash inflows/outflows of Shenzhen Yixuan, the growth rates and the discount rates.

	2017 RMB'000	2016 RMB'000
Net cash inflow arising on disposal:		
Cash consideration	625,069	932,500
Bank balances and cash disposed of	(14,016)	(727,638)
	611,053	204,862

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48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due to joint ventures (Note 37) RMB'000	Amount due to associates (Note 38) RMB'000	Bank and other borrowings (Note 39) RMB'000	Obligation under finance leases (Note 40) RMB'000	Senior notes and bonds (Note 41) RMB'000	Assets backed securities issued (Note 42) RMB'000	Dividend payables RMB'000	Total RMB'000
At 1 January 2017	294,157	1,061,338	3,367,466	112,148	18,379,625	275,084	–	23,489,818
Financing cash flows	(283,477)	(1,048,197)	3,815,030	(27,780)	1,824,659	(51,250)	(250,049)	3,978,936
Interest paid	–	–	(623,989)	–	(1,495,033)	(15,429)	–	(2,134,451)
Finance cost incurred during the year	–	–	623,989	4,815	1,649,157	19,332	–	2,297,293
Loss on early redemption of senior notes	–	–	–	–	116,933	–	–	116,933
Inception of finance leases (non-cash)	–	–	–	221,809	–	–	–	221,809
Foreign exchange	–	–	(90,481)	–	(670,399)	–	–	(760,880)
Acquisition of subsidiaries (note 46)	14	372	2,781,630	–	–	–	–	2,782,016
Disposal of subsidiaries (note 47)	(694)	–	(10,000)	–	–	–	–	(10,694)
Dividend to shareholders of the Company	–	–	–	–	–	–	250,049	250,049
At 31 December 2017	10,000	13,513	9,863,645	310,992	19,804,942	227,737	–	30,230,829

49. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to joint ventures as disclosed in note 37, amounts due to associates as disclosed in note 38, borrowings as disclosed in note 39, obligations under finance leases as disclosed in note 40, senior notes and bonds as disclosed in note 41, assets backed securities issued as disclosed in note 42, net of the cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of bank and other borrowings to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital, the Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	21,759,577	16,238,147
Financial assets at FVTPL	234,460	127,275
Available-for-sale investments	117,663	30,215
Financial liabilities		
Financial liabilities measured at amortised cost	37,439,879	26,909,286

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties, financial assets at FVTPL, restricted/pledged bank deposits, bank balances and cash, available-for-sale investments, trade and other payables, amounts due to a non-controlling shareholder of the Company, joint ventures and associates, borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The Group mainly has bank balances, borrowings, obligations under finance leases and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	2017 RMB'000	2016 RMB'000
Assets		
USD	3,107,330	1,322,541
SGD	670,885	265,973
JPY	33,170	1,376
HKD	22,387	859,455
TWD	1,146	30,646
MOP	2,617	1,962
Liabilities		
USD	11,890,881	10,513,711
SGD	210,757	–
HKD	21,633	–
JPY	–	50,142

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD, SGD, JPY, HKD, TWD and MOP against RMB.

The following table details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in the RMB against the relevant foreign currencies. 10% (2016: 10%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% (2016: 10%) change in foreign currency rates. The sensitivity analysis includes bank balances, borrowings, obligations under finance leases and senior notes. A positive number indicates an increase in profit for the year where the RMB strengthens 10% (2016: 10%) against the relevant currencies. For a 10% (2016: 10%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) *Currency risk* (continued)

Foreign currency sensitivity analysis

	2017 RMB'000	2016 RMB'000
USD		
Increase in profit for the year	798,505	835,561
HKD		
Decrease in profit for the year	(69)	(78,132)
SGD		
Decrease in profit for the year	(41,830)	(24,179)
JPY		
(Decrease) increase in profit for the year	(3,015)	4,433
TWD		
Decrease in profit for the year	(104)	(2,786)
MOP		
Decrease in profit for the year	(238)	(178)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate loan receivables included in trade and other receivables, borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued.

The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the LIBOR arising from the Group's USD borrowings, the Hong Kong Interbank Offered Rate arising from the Group's HK borrowings, the SIBOR arising from the Group's SGD borrowings, Benchmark Lending Rate, Benchmark Deposit Rate and Benchmark Rate from the Group's RMB borrowings.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

Bank balances and restricted/pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted/pledged bank deposits at the end of the reporting period. A 25% basis points (2016: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25% basis points (2016: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would have increased/decreased by RMB30,828,000 (2016: increase/decrease by RMB19,274,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50% basis points (2016: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50% basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would have decreased/increased by RMB13,604,000 (2016: decrease/increase by RMB7,029,000), net of interest that would be capitalised in accordance with the Group's accounting policy.

Credit risk

As at 31 December 2017, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantee provided by the Group is disclosed in note 55.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables and loan receivables to third parties, with exposure spread over a number of counterparties and customers.

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

As at 31 December 2017, the Group has concentration of credit risk on amounts due from non-controlling shareholder of the subsidiaries of the Company, joint ventures, associates and related parties. These balances are paid to counterparties which are all engaged in PRC property development business and property operation service, and are companies with high credit rating, the directors of the Company consider that the credit risk is limited.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC, Singapore and Japan.

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on amounts due to a non-controlling shareholder of the Company, joint ventures and associates, borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1 – 3 months RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017								
Trade and other payables	–	2,062,924	1,570,377	2,336,406	1,239,343	–	7,209,050	7,209,050
Amounts due to joint ventures	–	10,000	–	–	–	–	10,000	10,000
Amounts due to associates	–	13,513	–	–	–	–	13,513	13,513
Borrowings								
– fixed rate	8.35	188,498	374,675	1,730,629	4,881,087	64,191	7,239,080	6,235,899
– variable rate	5.20	115,667	230,963	1,027,104	2,786,231	91,088	4,251,053	3,627,746
Obligations under finance leases	4.45	5,393	10,786	48,535	208,486	86,162	359,362	310,992
Senior notes and bonds	9.08	152,214	304,425	5,683,733	26,179,137	–	32,319,509	19,804,942
Assets backed securities issued	7.23	–	17,224	51,892	196,943	–	266,059	227,737
Financial guarantee contracts	–	7,296,670	–	–	–	–	7,296,670	–
		9,844,879	2,508,450	10,878,299	35,491,227	241,441	58,964,296	37,439,879
At 31 December 2016								
Trade and other payables	–	951,280	661,938	978,804	517,008	–	3,109,030	3,109,030
Amount due to a non-controlling shareholder of the Company	10.58	313,175	–	–	–	–	313,175	310,438
Amounts due to joint ventures	–	294,157	–	–	–	–	294,157	294,157
Amounts due to associates	–	1,061,338	–	–	–	–	1,061,338	1,061,338
Borrowings								
– fixed rate	7.89	28,361	56,550	250,309	1,318,554	51,091	1,704,865	1,517,601
– variable rate	5.35	67,644	135,249	599,905	1,213,901	100,960	2,117,659	1,849,865
Obligations under finance leases	4.22	2,315	4,630	20,835	95,528	–	123,308	112,148
Senior notes and bonds	9.63	212,336	424,673	3,585,663	28,365,057	–	32,587,729	18,379,625
Assets backed securities issued	5.61	–	16,568	50,111	266,059	–	332,738	275,084
Financial guarantee contracts	–	6,258,249	–	–	–	–	6,258,249	–
		9,188,855	1,299,608	5,485,627	31,776,107	152,051	47,902,248	26,909,286

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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50. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 31 December 2017 RMB'000	31 December 2016 RMB'000	Fair value hierarchy
Financial assets at FVTPL	234,460	127,275	Level 2

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Fair value hierarchy	2017 Carrying amount RMB'000	2017 Fair value RMB'000	2016 Carrying amount RMB'000	2016 Fair value RMB'000
Senior notes	Level 1	13,087,522	13,327,690	11,841,852	12,430,527
Listed corporate bonds	Level 1	3,117,014	3,094,535	3,110,162	3,209,098
Unlisted corporate bonds	Level 3	3,600,406	3,640,712	3,427,611	3,538,016
Assets backed securities issued	Level 3	227,737	235,251	275,084	289,245

The management of the Group estimates the fair value of other financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

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51. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	43,221	47,023
In the second to the fifth year inclusive	169,698	170,721
After five years	375,614	418,821
	588,533	636,565

Operating lease payments represented rentals payable by the Group for certain offices premises and commercial properties. Leases are negotiated and rentals are fixed for terms of one to fifteen years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 RMB'000	2016 RMB'000
Within one year	234,192	184,283
In the second to the fifth year inclusive	650,187	487,261
After the fifth year	220,493	165,241
	1,104,872	836,785

Property rental income represented rentals receivable by the Group. Leases are negotiated for an average term of one to twenty years with fixed rentals.

For the year ended 31 December 2017

52. CAPITAL AND OTHER COMMITMENTS

	2017 RMB'000	2016 RMB'000
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	2,417,987	1,421,711
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	254,390	182,699
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	870,720	18,142
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	23,066	21,325

53. SHARE OPTION SCHEMES

(a) The Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"). Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

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53. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

During the year ended 31 December 2017 and 2016, no share option was lapsed.

As at 31 December 2017, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 85,101,000 (2016: 85,326,000) of HKD0.1 each, representing approximately 1.5% (2016: 1.5%) of the issued share capital of the Company.

Details of the share options granted under the Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 August 2011	0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022
Employees	29 August 2011	0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022

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53. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2017 and 2016:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2017
Directors	29 August 2011	29/8/2011 – 28/8/2012	1,158,000	–	–	–	1,158,000	–	–	–	1,158,000
		29/8/2011 – 28/8/2013	2,617,000	–	–	–	2,617,000	–	–	–	2,617,000
		29/8/2011 – 28/8/2014	7,805,000	–	–	–	7,805,000	–	–	–	7,805,000
	16 October 2012	16/10/2012 – 15/10/2013	1,435,000	–	–	–	1,435,000	–	–	–	1,435,000
		16/10/2012 – 15/10/2014	3,067,000	–	–	–	3,067,000	–	–	–	3,067,000
		16/10/2012 – 15/10/2015	9,848,000	–	–	–	9,848,000	–	–	–	9,848,000
			25,930,000	–	–	–	25,930,000	–	–	–	25,930,000
Employees	29 August 2011	29/8/2011 – 28/8/2012	2,908,000	–	–	(47,000)	2,861,000	–	–	(21,000)	2,840,000
		29/8/2011 – 28/8/2013	5,515,000	–	–	(94,000)	5,421,000	–	–	(43,000)	5,378,000
		29/8/2011 – 28/8/2014	20,658,000	–	–	(328,000)	20,330,000	–	–	(150,000)	20,180,000
	16 October 2012	16/10/2012 – 15/10/2013	3,093,000	–	–	(15,000)	3,078,000	–	–	(1,000)	3,077,000
		16/10/2012 – 15/10/2014	5,990,000	–	–	(30,000)	5,960,000	–	–	(2,000)	5,958,000
		16/10/2012 – 15/10/2015	21,850,000	–	–	(104,000)	21,746,000	–	–	(8,000)	21,738,000
			60,014,000	–	–	(618,000)	59,396,000	–	–	(225,000)	59,171,000
Total			85,944,000	–	–	(618,000)	85,326,000	–	–	(225,000)	85,101,000
Exercisable at the end of the year			85,944,000				85,326,000				85,101,000
Weighted average exercise price at the date of exercise (HKD)							0.83				0.83

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53. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

The closing price of the shares on the date of grant was HKD0.77 at 16 October 2012. Binomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	16 October 2012	**29 August 2011**
Market price	HKD0.77	HKD0.820
Exercise price	HKD0.80	HKD0.836
Expected volatility	44.87%	40.43%
Risk-free rate	0.66%	1.74%
Expected dividend yield	5.12%	4.878%

The Group did not recognise any expense for the years ended 31 December 2017 and 2016 in relation to share options granted by the Company.

(b) Colour Life

A non-wholly owned subsidiary of the Company, Colour Life, operates a share option scheme (the "Colour Life's Scheme"). The Colour Life's Scheme was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to certain directors and employees of the Colour Life and its subsidiaries and non-controlling shareholders of certain subsidiaries of Colour Life ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of Colour Life is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Persons to subscribe for shares of Colour Life ("Colour Life's Shares").

The maximum number of Colour Life's Shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of Colour Life shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Colour Life in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non- executive director in excess of 0.1% of Colour Life's share capital or with a value in excess of HKD5 million must be approved in advance by Colour Life's shareholders.

The exercisable period of an option is determined by the directors of Colour Life at their discretion. The expiry date of Colour Life's Options may be determined by the Board of Directors of the Colour Life which shall not be later than the expiry day of Colour Life's Scheme.

The exercise price is determined by the directors of Colour Life, and will not be less than the greater of: (i) the closing price of Colour Life on the offer date; (ii) the average of the closing price of Colour Life's shares for the five trading days immediately preceding the offer of Colour Life's options and (iii) the nominal value per share of Colour Life.

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53. SHARE OPTION SCHEMES (continued)

(b) Colour Life (continued)

As at 31 December 2017, the total number of Colour Life's shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 80,678,000 (2016: 90,711,000) of HKD0.1 each, representing approximately 8.1% (2016: 9.1%) of the issued share capital of Colour Life.

Details of the share options granted under Colour Life's Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026

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53. SHARE OPTION SCHEMES (continued)

(b) Colour Life (continued)

The following table of the Company discloses movements of Colour Life's share options held by Eligible Persons during the year ended 31 December 2017 and 2016:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2016	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2017
Directors	29 September 2014	N/A	560,000	–	(40,000)	–	520,000	–	–	–	520,000
		29/9/2014 – 28/9/2015	1,270,000	–	(206,000)	–	1,064,000	–	–	–	1,064,000
		29/9/2014 – 28/9/2016	1,270,000	–	(206,000)	–	1,064,000	–	–	–	1,064,000
		29/9/2014 – 28/9/2017	711,000	–	(163,000)	–	548,000	–	–	–	548,000
	30 April 2015	30/4/2015 – 29/4/2016	477,000	–	(41,000)	–	436,000	–	–	–	436,000
		30/4/2015 – 29/4/2017	477,000	–	(42,000)	–	435,000	–	–	–	435,000
		30/4/2015 – 29/4/2018	476,000	–	(41,000)	–	435,000	–	–	–	435,000
	18 March 2016	18/3/2016 – 17/3/2017	–	487,000	(60,000)	–	427,000	–	–	–	427,000
		18/3/2016 – 17/3/2018	–	487,000	(61,000)	–	426,000	–	–	–	426,000
		18/3/2016 – 17/3/2019	–	486,000	(60,000)	–	426,000	–	–	–	426,000
			5,241,000	1,460,000	(920,000)	–	5,781,000	–	–	–	5,781,000
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	5,680,000	–	(145,000)	–	5,535,000	–	(189,000)	–	5,346,000
		29/9/2014 – 28/9/2015	12,660,000	–	(1,037,000)	–	11,623,000	–	(545,000)	–	11,078,000
		29/9/2014 – 28/9/2016	12,660,000	–	(1,037,000)	–	11,623,000	–	(545,000)	–	11,078,000
		29/9/2014 – 28/9/2017	6,859,000	–	(891,000)	–	5,968,000	–	(357,000)	–	5,611,000
	30 April 2015	30/4/2015 – 29/4/2016	7,795,000	–	(1,551,000)	–	6,244,000	–	(511,000)	–	5,733,000
		30/4/2015 – 29/4/2017	7,795,000	–	(1,552,000)	–	6,243,000	–	(511,000)	–	5,732,000
		30/4/2015 – 29/4/2018	7,794,000	–	(1,551,000)	–	6,243,000	–	(511,000)	–	5,732,000
	18 March 2016	18/3/2016 – 17/3/2017	–	10,929,000	(445,000)	–	10,484,000	–	(2,288,000)	–	8,196,000
		18/3/2016 – 17/3/2018	–	10,929,000	(445,000)	–	10,484,000	–	(2,288,000)	–	8,196,000
		18/3/2016 – 17/3/2019	–	10,929,000	(446,000)	–	10,483,000	–	(2,288,000)	–	8,195,000
			61,243,000	32,787,000	(9,100,000)	–	84,930,000	–	(10,033,000)	–	74,897,000
Total			66,484,000	34,247,000	(10,020,000)	–	90,711,000	–	(10,033,000)	–	80,678,000
Exercisable at the end of the year							38,109,000				57,268,000
Weighted average exercise price at the date of exercise (HKD)							–				–

53. SHARE OPTION SCHEMES (continued)

(b) Colour Life (continued)

The closing price of Colour Life's shares on the date of grant was HKD5.76 on 18 March 2016, HKD6.66 on 29 September 2014 and HKD10.88 on 30 April 2015, respectively. Binomial Option Pricing Model had been used to estimate the fair value of Colour Life's options. The variables and assumptions used in computing the fair value of the share options are based on Colour Life's best estimate. The value of Colour Life's option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	18 March 2016	**30 April 2015**	**29 September 2014**
Market price	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD5.76	HKD11.00	HKD6.66
Expected volatility	46.20%	46.26%	48.82%
Risk-free rate	1.27%	1.63%	2.01%
Expected dividend yield	1.55%	0.83%	0.00%

Colour Life recognised the total expense of RMB45,303,000 (2016: RMB79,041,000) in share option reserve of Colour life included in non-controlling interests for the year ended 31 December 2017 in relation to share options granted by Colour Life.

(c) Morning Star

Morning Star, a wholly-owned subsidiary of the Company, operates a share option scheme (the "Morning Star's Scheme"). The Morning Star's Scheme was adopted pursuant to a resolution passed on 24 December 2015 for the primary purposes of providing incentives to certain directors and employees of the Morning Star and its subsidiaries ("Eligible Employees"). According to the Morning Star's Scheme, the Board of Directors of Morning Star is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Employees to subscribe for shares of Morning Star ("Morning Star's Shares").

The exercisable period of an option is determined by the directors of Morning Star at their discretion. The expiry date of Morning Star's Options may be determined by the Board of Directors of the Morning Star which shall not be later than the expiry day of Morning Star's Scheme.

As at 31 December 2017, the total number of Morning Star's shares to be issued upon the exercise of all options granted under the Morning Star's Scheme is 5,000,000 (2016: 7,000,000) of HKD1 each, representing approximately 5% (2016: 7%) of the issued share capital of Morning Star.

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53. SHARE OPTION SCHEMES (continued)

(c) Morning Star (continued)

Details of the share options granted under Morning Star's Scheme is as follows:

Category of Grantees	Date of grant	Granted	Vesting period	Exercisable period	Vesting condition
Employees	24 December 2015	2,000,000	25/12/2015 – 30/3/2017	1/4/2017 – 30/4/2017	The net profit of Morning Star for year ending 31 December 2016 meets RMB10,000,000
		3,000,000	25/12/2015 – 30/3/2018	1/4/2018 – 30/4/2018	The net profit of Morning Star for year ending 31 December 2017 meets RMB20,000,000
		2,000,000	25/12/2015 – 30/3/2019	1/4/2019 – 30/4/2019	The net profit of Morning Star for year ending 31 December 2018 meets RMB40,000,000

The following table of the Company discloses movements of Morning Star's share options held by Eligible Employees during the year ended 31 December 2017 and 2016:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2017
Employees	24 December 2015	25/12/2015 – 30/3/2017	2,000,000	–	–	–	2,000,000	–	(2,000,000)	–	–
		25/12/2015 – 30/3/2018	3,000,000	–	–	–	3,000,000	–	–	–	3,000,000
		25/12/2015 – 30/3/2019	2,000,000	–	–	–	2,000,000	–	–	–	2,000,000
Total			7,000,000	–	–	–	7,000,000	–	(2,000,000)	–	5,000,000
Exercisable at the end of the year							–				–
Weighted average exercise price at the date of exercise (HKD)							–				–

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53. SHARE OPTION SCHEMES (continued)

(c) Morning Star (continued)

Binomial Option Pricing Model had been used to estimate the fair value of these share -based payment transactions with cash alternative arrangements. The estimated fair value of the share options of Morning Star is RMB5,743,000 which represented the goods or services received from the Eligible Employees. The variables and assumptions used in computing the fair value of the share options are based on the management of the Company's best estimate. The expected volatility is based on the historical annualised daily volatilities of comparable companies as if the same sector. Risk-free rate is based on the yield of HK Hong Kong Exchange Fund Notes as of valuation date as quoted from Bloomberg. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	24 December 2015
Share price	HKD1.85
Exercise price	HKD1.00
Expected volatility	45.5% – 54.6%
Risk-free rate	0.25% – 0.84%
Expected dividend yield	0.0%

Morning Star recognised the total expense of RMB1,913,000 (2016: RMB2,914,000) in share option reserve of Morning Star included in non-controlling interests for the year ended 31 December 2017 in relation to share options granted by Morning Star.

54. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the Group in the PRC are members of state – managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of RMB148,927,000 (2016: RMB130,307,000) respectively, represented contributions from the continuing operation payable to the scheme.

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55. CONTINGENT LIABILITIES

(a)

	2017 RMB'000	2016 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	7,296,670	6,258,249

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

(b)

	2017 RMB'000	2016 RMB'000
Financial guarantees given to a bank for the banking facilities granted to a joint venture	–	536,810

The Group had provided guarantees in respect of banking facilities granted by a bank to a joint venture. In the opinion of the directors, the fair value of guarantee contract is insignificant at initial recognition and 31 December 2016. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low. As at 31 December 2017, the financial guarantees granted were released.

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56. RELATED PARTY DISCLOSURES

During the year, in addition to those disclosed in elsewhere at the consolidated financial statements, the Group had following significant transactions with related parties:

(a) Related party transactions

Related parties	Relationship	Transactions	2017 RMB'000	2016 RMB'000
Wanxiangmei	A subsidiary of Shenzhen Wanxiang, a previous joint venture of the Group and acquired by the Group on 29 December 2017 (note 46(b))	Consultancy service fee income	92,933	31,475
Shenzhen Wanxiang	A previous joint venture of the Group and acquired by the Group on 29 December 2017 (note 46(b))	Management fee income	7,920	3,960
Shenzhen Cube Architecture Designing Consultants Co., Ltd. (深圳市立方建築設顧問有限公司) ("Shenzhen Cube")	An associate of Shenzhen Tiankuo Investment Development Co., Ltd. (深圳市天闊投資發展有限公司) ("Shenzhen Tiankuo"), a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Design service fee expense	1,814	–
Shenzhen Cube	An associate of Shenzhen Tiankuo, a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Rental income	964	–
Shenzhen Colour Pay	A related company controlled Mr. Pan Jun, a director and the chief executive officer of the Company	Commission income	1,424	–

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56. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2017 RMB'000	2016 RMB'000
Short-term benefits	91,189	81,278
Post-employment benefits	21,637	14,649
	112,826	95,927

(c) Others

(i) As at 31 December 2017, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB944,000,000 (2016: RMB492,983,000) in aggregate.

(ii) During the year ended 31 December 2017, the Group had sold certain properties to its key management personnel (not including the directors of the Company) of the Group, at a cash consideration of RMB45,947,000 (2016: RMB11,667,000).

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company as at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
Colour Life Services Group Co., Ltd. ("Colour Life")[Δ]	The Cayman Islands 16 March 2011	84,313	50.39%	50.39%	Investment holding	Limited liability company
Fantasia Group China*	The PRC 20 January 2006	1,624,844	100%	100%	Investment holding and property Development	Limited liability company
Shenzhen Colour Life*#	The PRC 25 August 2006	100,000	50.39%	50.39%	Provision of property operation services	Limited liability company
Shenzhen Fantasia*	The PRC 28 September 1996	150,000	100%	100%	Investment holding, property development and investment	Limited liability company
成都市花樣年房地產開發有限公司 Chengdu Fantasia Real Estate Co., Ltd.*	The PRC 18 October 2001	75,610	100%	100%	Property development and investment	Limited liability company

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57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Co., Ltd.*	The PRC 28 August 2006	660,339	100%	100%	Investment holding	Limited liability company
成都花萬裏置業有限公司 Chengdu Huawanli Real Estate Co., Ltd.*	The PRC 25 October 2005	100,000	100%	100%	Property development and investment	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Co., Ltd.*	The PRC 6 November 2006	704,680	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Co., Ltd.*	The PRC 22 May 2003	270,000	100%	100%	Property development	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Co., Ltd.*	The PRC 9 February 2007	100,000	100%	100%	Property development and investment	Limited liability company
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Co., Ltd.*	The PRC 6 August 2008	300,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Co., Ltd.*	The PRC 22 August 2007	320,000	100%	100%	Property development	Limited liability company
深圳市花樣年房地產開發有限公司 Shenzhen Fantasia Real Estate Co., Ltd.*	The PRC 20 April 2006	320,000	100%	100%	Property development	Limited liability company
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Co., Ltd.*	The PRC 14 August 2012	100,000	100%	100%	Property development	Limited liability company

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57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
蘇州花萬裡房地產開發有限公司 Suzhou Huawanli Real Estate Co., Ltd.*	The PRC 9 September 2009	180,000	100%	100%	Property development	Limited liability company
東莞花千里房地產開發有限公司 Dongguan Huaqianli Property Development Co., Ltd.*	The PRC 30 April 2012	30,000	100%	100%	Property development	Limited liability company
成都市諾亞舟實業有限公司 Chengdu Nuoyazhou Development Co., Ltd.*	The PRC 17 June 2008	300,000	100%	100%	Property development	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Co., Ltd.*	The PRC 14 November 2007	250,000	100%	100%	Property development	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.*#	The PRC 11 December 2000	35,000	50.39%	50.39%	Provision of property operation services	Limited liability company
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Co., Ltd.*	The PRC 1 July 1994	946,844	100%	100%	Property development and investment	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Co., Ltd.*#	The PRC 12 June 2007	90,000	50.39%	50.39%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Co., Ltd.*#	The PRC 15 November 2001	5,000	50.39%	50.39%	Provision of engineering services	Limited liability company

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57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Co., Ltd.*	The PRC 28 June 2014	394,400	100%	100%	Property development	Limited liability company
蘇州銀莊置地有限公司 Suzhou Yinzhuang Real Estate Co., Ltd.*	The PRC 25 January 2006	500,000	100%	100%	Property development	Limited liability company
惠州TCL房地產開發有限公司 Huizhou TCL Property Development Co., Ltd.*	The PRC 29 December 2004	100,000	100%	100%	Property development	Limited liability company
成都花樣年置富房地產開發有限公司 Chengdu Fantasia Zhifu Property Development Co., Ltd.*	The PRC 13 March 2014	500,000	100%	100%	Property development	Limited liability company
寧波世紀華豐房產有限公司 Ningbo Century Huafeng Property Co., Ltd.*	The PRC 25 March 2010	427,500	100%	100%	Property development	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.*#	The PRC 19 October 2000	330,000	50.39%	50.39%	Provision of property operation services	Limited liability company
深圳市越華創新科技工業城有限公司 Shenzhen Yuehua Innovation Technology Industry City Co., Ltd.*	The PRC 15 September 2004	62,500	51%	51%	Property development	Limited liability company
武漢TCL置地投資有限公司 WuhanTCL Real Estate Investment Co., Ltd.*	The PRC 06 May 2011	30,000	100%	100%	Property development	Limited liability company

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.*#	The PRC 09 September 2003	10,000	50.39%	48.83%	Provision of property operation services	Limited liability company
深圳安博電子有限公司 Shenzhen Anbo Electronic Co., Ltd.*	The PRC 17 August 1994	87,000	51%	51%	Provision of property operation services	Limited liability company
ASIMCO Tianwei*	The PRC 3 December 1994	639,120	59.84%	59.84%	Manufacturing and sale of fuel pumps	Limited liability company
武漢TCL康城房地產開發有限公司 Wuhan TCL Kangcheng Property Development Co., Ltd.*	The PRC 12 September 2012	10,000	100%	100%	Property development	Limited liability company
成都新達遠房地產開發有限公司 Chengdu Xindayuan Property Development Co., Ltd.*	The PRC 25 April 2013	10,000	100%	100%	Property development	Limited liability company
Sichuan Hanfeng*	The PRC 23 July 2008	594,750	55%	91%	Property development	Limited liability company
Tianjin Huaqianli*	The PRC 22 December 2010	941,667	60%	100%	Property development	Limited liability company
Guilin Wanhao*	The PRC 14 November 2007	250,000	70%	100%	Property development	Limited liability company
Chengdu Tourism*	The PRC 7 September 2006	1,344,970	70%	100%	Property development	Limited liability company
Nanjing Zhongchu*^	The PRC 10 January 2013	240,000	70%	–	Property development	Limited liability company
Jiangxi Yinsheng*^	The PRC 11 July 2006	10,000	100%	–	Property development	Limited liability company

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
Wuhan Jialun*^	The PRC 22 November 2004	50,500	67%	–	Property development	Limited liability company
Taicang Qihao*^	The PRC 14 February 2007	150,000	100%	–	Property development	Limited liability company
Chengdu Qianyin*^	The PRC 09 June 2010	60,000	100%	–	Property development	Limited liability company
Wuhan Zhongsenhua*^	The PRC 14 June 2011	100,000	100%	–	Property development	Limited liability company
Huizhou Guangliang*^	The PRC 22 June 2007	10,000	100%	–	Property development	Limited liability company
Sichuan Genxing*^	The PRC 08 May 2012	1,000	100%	–	Property development	Limited liability company
Shenzhen Wanxiang*^	The PRC 11 April 2011	1,982,000	100%	–	Investment management	Limited partnership company
Wanxiangmei*^	The PRC 8 May 2015	50,000	100%	–	Property operation service	Limited partnership company
Shanghai Tonglai*#^	The PRC 9 November 2009	5,000	50.39%	–	Property operation service	Limited partnership company

* The English name is for identification purpose only.

These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life as at 31 December 2017 and 2016.

^ These subsidiaries were acquired during the year ended 31 December 2017. Details are set out in note 46(a) and (b).

Δ Except for the subsidiary directly held by the Company, all other subsidiaries are indirectly owned by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results, assets or debt securities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Fantasia Group China and Shenzhen Colour Life, none of the subsidiaries had issued debt securities at the end of the year.

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follow:

Principal activities	**Principal place of business**	**Number of subsidiaries 2017**	**2016**
Investment holding	BVI	20	20
	Hong Kong	19	19
	PRC	18	18
	USA	3	3
	Singapore	1	1
	Cayman	1	1
Property development	PRC	144	94
Property investment	PRC	1	1
	Japan	1	1
	USA	1	–
	Singapore	1	–
Property agency services	PRC	1	1
Property operation services	PRC	121	120
Hotel operations	PRC	5	5
	USA	1	1
Other operations	Hong Kong	4	4
	PRC	4	4
	Macao	1	1
		347	294

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2017 and 2016 that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		Profit (loss) attributable to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
				RMB'000	RMB'000	RMB'000	RMB'000
Colour Life	The PRC	49.61%	49.61%	189,070	121,386	959,897	797,321
Chengdu Tourism	The PRC	30%	N/A	–	–	855,223	–
Sichuan Hanfeng	The PRC	45%	9%	16,977	(40)	748,483	32,008
Guilin Wanhao	The PRC	30%	N/A	–	–	384,094	–
				206,047	121,346	2,947,697	829,329
Individually immaterial subsidiaries with non-controlling interests				49,348	99,716	1,866,104	1,135,958
				255,395	221,062	4,813,801	1,965,287

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represented amounts before intra group eliminations.

	Colour Life		**Sichuan Hanfeng**	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current assets	2,891,913	2,452,687	3,444,248	2,312,077
Non-current assets	1,768,737	1,569,921	967,284	945,061
Current liabilities	(1,759,522)	(1,281,957)	(1,560,789)	(1,342,737)
Non-current liabilities	(1,074,120)	(1,208,179)	–	(147,146)
Equity attributable to owners of the Company	867,111	735,151	1,995,520	1,767,255
Non-controlling interests	959,897	797,321	855,223	–
Revenue	1,628,698	1,342,069	365,950	82,772
Expenses	(1,278,049)	(1,126,058)	(325,026)	(83,579)
Profit (loss) for the year	350,649	216,011	40,924	(807)
Profit (loss) attributable to the owners of the Company	161,579	94,625	40,924	(807)
Profit attributable to the non-controlling interests	189,070	121,386	–	–
Net cash inflow (outflow) from operating activities	139,850	260,548	149,044	47,605
Net cash inflow (outflow) from investing activities	2,731	(553,450)	(815)	(29,939)
Net cash (outflow) inflow from financing activities	(40,738)	628,261	(97,578)	(10,869)
Net cash inflow (outflow)	101,843	335,359	50,651	6,797

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Sichuan Hanfeng		Guilin Wanhao	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current assets	3,270,738	46,045	2,005,805	800,482
Non-current assets	375,444	360,641	100,003	130,330
Current liabilities	(957,731)	(51,043)	(743,656)	(335,570)
Non-current liabilities	(1,025,156)	–	(81,839)	(93,988)
Equity attributable to owners of the Company	914,812	323,635	896,219	501,254
Non-controlling interests	748,483	32,008	384,094	–
Revenue	–	–	113,310	206,810
Change in fair value of investment properties	220,623	–	–	–
Expenses	(96,264)	(443)	(78,442)	(152,214)
Profit (loss) for the year	124,359	(443)	34,868	54,596
Profit (loss) attributable to the owners of the Company	107,382	(403)	34,868	54,596
Profit (loss) attributable to the non-controlling interests	16,977	(40)	–	–
Net cash (outflow) inflow from operating activities	(125,106)	–	30,114	61,728
Net cash outflow from investing activities	(330)	–	(1,064)	(20)
Net cash inflow (outflow) from financing activities	392,545	621	(77,200)	–
Net cash inflow (outflow)	267,109	621	(48,150)	61,708

For the year ended 31 December 2017

58. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	3,210,991	2,744,791
Amounts due from subsidiaries	9,814,746	8,165,950
	13,025,737	10,910,741
CURRENT ASSETS		
Other receivables	16,988	157,169
Bank balances and cash	617,850	1,894,858
	634,838	2,052,027
CURRENT LIABILITIES		
Other payables	36,970	27,653
Amounts due to subsidiaries	62,681	53,158
Bank borrowings due within one year	–	1,353
Senior notes	4,484,610	1,794,707
	4,584,261	1,876,871
NET CURRENT (LIABILITIES) ASSETS	(3,949,423)	175,156
TOTAL ASSETS LESS CURRENT LIABILITIES	9,076,314	11,085,897

	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES		
Senior notes	8,602,912	10,035,569
Bank borrowing due after one year	650,000	650,000
	9,252,912	10,685,569
NET (LIABILITIES) ASSETS	(176,598)	400,328
CAPITAL AND RESERVES		
Share capital	497,868	497,848
Reserves	(674,466)	(97,520)
	(176,598)	400,328

The financial statements of the Company are prepared on a going concern basis because the Company has refinanced by issuance of senior notes with nominal value of US$650,000,000 in aggregation at the date these consolidated financial statements are authorised for issuance (details are set out in note 59 (b) and (c)), which enable the Company to meet in full its financial obligations as they fall due in the foreseeable future.

For the year ended 31 December 2017

58. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement of reserves:

	Share premium RMB'000	Accumulated losses RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2016	2,200,190	(973,115)	17,933	1,245,008
Loss and total comprehensive expense for the year	–	(1,087,099)	–	(1,087,099)
Issue of shares upon exercise of share options	706	–	(342)	364
Dividend distributed to shareholders of the Company (note 11)	(255,793)	–	–	(255,793)
At 31 December 2016	1,945,103	(2,060,214)	17,591	(97,520)
Loss and total comprehensive expense for the year	–	(327,041)	–	(327,041)
Issue of shares upon exercise of share options	201	–	(57)	144
Dividend distributed to shareholders of the Company (note 11)	(250,049)	–	–	(250,049)
At 31 December 2017	1,695,255	(2,387,255)	17,534	(674,466)

For the year ended 31 December 2017

59. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Group had following significant events took place:

(a) Pursuant to the agreements entered into among certain subsidiaries of the Company and Colour life, the Company agreed to transfer 100% beneficial interest in Shenzhen Wanxiang and 100% of the equity interest in Wanxiangmei to Colour Life. The consideration constitutes cash consideration of RMB1,014,174,000 and issuance of 231,500,000 ordinary shares of Colour Life. The acquisition was completed on 28 February 2018.

(b) On 14 February 2018, the Company issued guaranteed fixed rate senior notes with aggregate nominal value of US$300,000,000 which carry fixed interest of 7.25% per annum and mature in 2019. The proceeds are to be used for refinancing certain of the Group's existing indebtedness and for the general working capital purposes.

(c) On 1 March 2018, the Company issued guaranteed fixed rate senior notes ("2018 March Original Senior Notes") with aggregate nominal value of US$350,000,000 which carry fixed interest of 8.375% per annum and mature in 2021. The proceeds are to be used for refinancing certain of the Group's existing indebtedness and for the general working capital purposes.

(d) On 14 March 2018, the Company further issued guaranteed fixed rate senior notes ("2018 March Additional Senior Notes") with aggregate nominal value of US$100,000,000 which carry fixed interest of 8.375% per annum and mature in 2021. The proceeds are to be used for refinancing certain of the Group's existing indebtedness and for the general working capital purposes. 2018 March Additional Senior Notes will be consolidated and form a single series with the 2018 March Original Senior Notes with the same terms and conditions of the 2018 March Original Senior Notes, except for the issue date and the issue price.

Deloitte.
德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 96 to 239, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 ("CO").

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of properties for sale	
We identified the valuation of properties for sale as a key audit matter due to the significant estimates involved in the determination of net realisable value (the "NRV") of the properties for sale. As disclosed in note 26 to the consolidated financial statements, the Group had properties under development for sale of RMB9,762,379,000 and completed properties for sale of RMB5,585,600,000 (collectively referred to as the "properties for sale") as at 31 December 2016, which are situated in the People's Republic of China (the "PRC"). Certain residential properties and carpark of the Group are not located in the downtown with the slim profit margins which indicate possible potential impairment loss on the properties for sale. As disclosed in note 4 to the consolidated financial statements, the properties for sale are stated at the lower of cost and NRV. The NRV is determined by reference to the estimated selling prices of the properties for sale, which takes into account a number of factors including the latest market prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC, less estimated selling expenses and estimated cost to completion. The Management assessed the NRV of the properties with possible potential impairment indication with reference to the valuations carried out by the Valuer. Based on management's analysis of the property for sale, no write-downs were considered to be necessary in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.	Our procedures in relation to assessing management's assessment of the NRV of the properties for sale included: • Assessing management's process of reviewing the budgeted cost of the properties for sales and the determination of the NRV of the properties for sales; • Evaluating the reasonableness of the estimated cost to completion of the properties under development for sale, on a sampling basis, by comparing it to the actual development cost of similar completed properties and comparing the adjustments made by the management to current market data; • Assessing the appropriateness of the estimated selling prices of the properties for sale used by the management with reference to latest market prices achieved in the same projects or by comparable properties, including an evaluation of the appropriateness of the comparable properties used by management of the Group based on our knowledge of the Group's business and the PRC real estate industry; • Obtaining the valuation reports provided by the Valuers for the residential properties and carparks with possible potential impairment indication and compared the carrying amount of the aforesaid residential properties and carparks to the corresponding valuation amount; • Assessing the competence, capabilities and objectivity of the Valuers; and • Obtaining the detailed work of the Valuer on the residential properties and carparks with possible potential impairment indication to evaluate the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in China.

Key audit matters	How our audit addressed the key audit matters
Recoverability of trade receivables arose from sales of properties	
We identified the recoverability of trade receivables arose from sales of properties as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole, combined with the significant degree of judgement by the management, in considering the estimation of collection which may affect the carrying value of the Group's trade receivables in assessing the recoverability of trade receivables. The carrying amounts of the Group's trade receivables arose from sales of properties are RMB1,025,932,000, as disclosed in note 27 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Based on management's analysis of estimated impairment of trade receivable arose from sale of properties, no allowance for bad and doubtful debt were considered to be necessary in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.	Our procedures in relation to assessing the recoverability of trade receivables arose from sales of properties included: • Assessing the management's process of reviewing the recoverability of trade receivables arose from sales of properties; • Assessing the management's process in determining present value of estimated future cash flows of trade receivables arose from sals of properties with reference to relevant terms of the sales and purchase agreements; • Obtaining the aging analysis of trade receivables arose from sales of properties and discussing with the management the actions they have taken to recover the long outstanding debts; • Checking the terms set out in the sales and purchase agreements regarding sale by mortgage, on a sample basis, and obtaining mortgage approval documents from the banks to substantiate the unconditional approval of mortgage facilities granted by the banks to the property buyers; and • Checking the terms set out in the sales and purchase agreements regarding sale by instalments, on a sample basis, and agreeing the settlement of receivables from sales of properties by instalments to supporting documentation including bank statements and bank slips.

Key audit matters	How our audit addressed the key audit matters
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the estimates associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the investment properties of the Group mainly represent commercial buildings, office and carpark located in the PRC and carried at RMB6,981,839,000 as at 31 December 2016, including completed investment properties of RMB5,316,563,000 and investment properties under construction of RMB1,665,276,000, which represents 14% of the Group's total assets. Change in fair value of investment properties of RMB405,076,000 and recognition of change in fair value of completed property for sale upon transfer to investment properties of RMB478,005,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. All of the Group's investment properties are stated at fair value based on valuations performed by an independent qualified professional valuer not connected with the Group (the "Valuer"). Details of the valuation techniques and key inputs used in the valuations are disclosed in note 14 in the consolidated financial statements. The valuations of the completed investment properties are dependent on certain key inputs, including term yield, reversionary yield, vacancy ratio and adjustment made to account for differences in location. The valuations of investment properties under construction are dependent on gross development value, developer's profit, marketing costs, construction costs to completion, and market unit sales rate.	Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included: • Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approach to assess if they are consistent with the requirements of HKFRSs and industry norms; • Obtaining the detailed work of the Valuer, particularly the key input to the valuation on completed investment properties including but not limited to the comparable market price of properties, term yield and reversionary yield of rental income and vacancy ratio and the key input to the valuation on investment properties under construction including but not limited to the gross development value, developer's profit, marketing cots, construction costs to completion; • Evaluating the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in China; • Obtaining the latest budget for construction and other costs of investment properties under construction and checked to the information obtained by the Valuer for the valuation; and • Evaluating the sensitivity analysis prepared by the management on the key inputs to evaluate the magnitude of their impacts on the fair values and assessing the appropriateness of the disclosures relating to these sensitivities.

Key audit matters	How our audit addressed the key audit matters
Revenue recognised from sales of properties	
We identified revenue recognition as a key audit matter as the revenue from sales of properties is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and there is judgment involved in determining the appropriate point at which to recognise revenue from sales of properties. As disclosed in note 3 to the consolidated financial statements, revenue from sales of properties in the PRC is recognised when the properties are completed and delivered to the buyers pursuant to the relevant terms of sale and purchase agreement. The Group recognised revenue of RMB8,365,954,000 from sales of properties for the year ended 31 December 2016, which is disclosed in note 5 in the consolidated financial statements.	Our procedures in relation to revenue recognised from sales of properties included: • Assessing management's process and control over the point of time at which revenue from sales of properties is recognised; • Evaluating the terms set out in the sales and purchase agreements, and assessing whether the significant risks and rewards of ownership of the properties have been transferred to the buyers by reviewing the relevant documents including completion certificates and delivery notices, on a sample basis; and • Performing physical inspection on the inventory of properties and examining the completion certificates, on a sample basis, and checked if the properties were completed.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 the 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 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2017

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	**10,920,638**	8,164,297
Cost of sales and services		**(7,392,156)**	(5,645,554)
Gross profit		**3,528,482**	2,518,743
Other income, gains and losses	6	**(585,172)**	(108,360)
Change in fair value of investment properties	14	**405,076**	713,887
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	26	**478,005**	175,922
Selling and distribution expenses		**(222,772)**	(318,594)
Administrative expenses		**(851,273)**	(741,241)
Finance costs	7	**(932,238)**	(302,340)
Share of results of associates		**(2,528)**	626
Share of results of joint ventures		**48,504**	(7,324)
Gains on disposal of subsidiaries	47(a) (c)	**640,080**	790,039
Profit before tax	8	**2,506,164**	2,721,358
Income tax expense	9	**(1,441,816)**	(1,318,542)
Profit for the year		**1,064,348**	1,402,816
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of properties		**–**	11,876
Remeasurement of defined benefit obligations		**(22,974)**	–
Income tax relating to items that will not be reclassified subsequently to profit or loss		**5,743**	(2,969)
Other comprehensive (expense) income for the year, net of income tax		**(17,231)**	8,907
Profit and total comprehensive income for the year		**1,047,117**	1,411,723
Profit for the year attributable to:			
Owners of the Company		**805,736**	1,210,610
An owner of perpetual capital instrument		**37,550**	63,875
Other non-controlling interests		**221,062**	128,331
		1,064,348	1,402,816
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**795,426**	1,215,955
An owner of perpetual capital instrument		**37,550**	63,875
Other non-controlling interests		**214,141**	131,893
		1,047,117	1,411,723
Earnings per share – basic (RMB)	12	**0.14**	0.21
Earnings per share – diluted (RMB)	12	**0.14**	0.21

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,078,272	1,766,869
Investment properties	14	6,981,839	6,884,931
Interests in associates	15	735,336	6,789
Interests in joint ventures	16	951,667	410,044
Available-for-sale investments	17	30,215	–
Goodwill	18	912,750	733,549
Intangible assets	19	259,248	204,474
Prepaid lease payments	20	1,765,515	868,698
Premium on prepaid lease payments	21	1,592,486	172,169
Other receivables	27	244,038	376,841
Deposits paid for acquisition of subsidiaries	22	267,130	231,329
Deposit paid for acquisition of a property project	23	159,073	140,946
Deposits paid for acquisition of land use rights	24	1,095,077	1,050,077
Deferred tax assets	25	466,577	462,161
		17,539,223	13,308,877
CURRENT ASSETS			
Properties for sale	26	15,347,979	21,801,648
Inventories		80,414	–
Prepaid lease payments	20	48,151	34,274
Premium on prepaid lease payments	21	28,744	3,678
Trade and other receivables	27	4,604,211	4,604,047
Amounts due from customers for contract works	28	73,627	88,937
Tax recoverable		96,458	107,594
Amounts due from non-controlling shareholders of the subsidiaries	29	82,330	–
Amounts due from joint ventures	30	355,775	180,258
Amounts due from related parties	31	233,726	184,782
Financial assets designated as at fair value through profit or loss ("FVTPL")	32	127,275	19,200
Restricted/pledged bank deposits	33	1,997,824	1,336,482
Bank balances and cash	33	9,136,526	2,881,511
		32,213,040	31,242,411
CURRENT LIABILITIES			
Trade and other payables	34	4,445,008	6,626,928
Deposits received for sale of properties		2,817,149	5,555,880
Amounts due to customers for contract works	28	16,746	17,141
Amount due to a non-controlling shareholder of the company	35	310,438	390,199
Amounts due to joint ventures	36	294,157	1,033,916
Amounts due to associates	37	1,061,338	–
Tax liabilities		4,151,634	3,626,109
Borrowings – due within one year	38	929,458	1,407,598
Obligations under finance leases	39	23,610	22,101
Senior notes and bonds	40	1,575,183	1,004,105
Assets backed securities issued	41	37,642	–
Defined benefit obligations	42	5,171	–
Provisions	43	37,154	–
		15,704,688	19,683,977
NET CURRENT ASSETS		16,508,352	11,558,434
TOTAL ASSETS LESS CURRENT LIABILITIES		34,047,575	24,867,311

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Amount due to a non-controlling shareholder of the company	35	–	329,721
Deferred tax liabilities	25	1,236,629	1,071,358
Borrowings – due after one year	38	2,438,008	2,556,814
Obligations under finance leases	39	88,538	104,979
Senior notes and bonds	40	16,804,442	8,531,147
Assets backed securities issued	41	237,442	–
Defined benefit obligations	42	121,781	–
Provisions	43	–	33,255
		20,926,840	12,627,274
NET ASSETS		13,120,735	12,240,037
CAPITAL AND RESERVES			
Share capital	44	497,848	497,797
Reserves		10,457,503	9,910,694
Equity attributable to owners of the Company		10,955,351	10,408,491
Perpetual capital instrument	45	–	710,500
Other non-controlling interests		2,165,384	1,121,046
Total non-controlling interests		2,165,384	1,831,546
		13,120,735	12,240,037

The consolidated financial statements on pages 96 to 239 are approved and authorised for issue by the Board of Directors on 17 March 2017 and are signed on its behalf by:

PAN JUN
EXECUTIVE DIRECTOR

LAM KAM TONG
EXECUTIVE DIRECTOR

For the year ended 31 December 2016

	Attributable to owners of the Company										Attributable to non-controlling interests					
	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Share options reserve RMB'000 (Note iii)	Contribution reserve RMB'000 (Note iv)	Statutory reserves RMB'000 (Note v)	Discretionary reserves RMB'000	Revaluation reserve RMB'000 (Note vi)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share option reserve of Colour Life RMB'000	Share option reserve of Morning Star RMB'000	Other non–controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
At 1 January 2015	497,485	2,441,983	266,709	19,499	40,600	44,843	1,477	38,357	6,102,106	9,453,059	710,500	29,780	–	1,219,035	1,959,315	11,412,374
Profit for the year	–	–	–	–	–	–	–	–	1,210,610	1,210,610	63,875	–	–	128,331	192,206	1,402,816
Surplus on revaluation of properties	–	–	–	–	–	–	–	7,126	–	7,126	–	–	–	4,750	4,750	11,876
Deferred taxation liability arising from revaluation of properties	–	–	–	–	–	–	–	(1,781)	–	(1,781)	–	–	–	(1,188)	(1,188)	(2,969)
Other comprehensive income for the year	–	–	–	–	–	–	–	5,345	–	5,345	–	–	–	3,562	3,562	8,907
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	5,345	1,210,610	1,215,955	63,875	–	–	131,893	195,768	1,411,723
Acquisition of subsidiaries (note 46(b))	–	–	–	–	–	–	–	–	–	–	–	–	–	15,809	15,809	15,809
Issue of share upon exercise of share option	312	3,219	–	(938)	–	–	–	–	–	2,593	–	(97)	–	664	567	3,160
Contributions from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	4,500	4,500	4,500
Dividend distributed to shareholders of the Company (note 11)	–	(245,012)	–	–	–	–	–	–	–	(245,012)	–	–	–	–	–	(245,012)
Recognition of equity-settled share-based payments (note 52)	–	–	–	2,464	–	–	–	–	–	2,464	–	88,431	28	–	88,459	90,923
Share option lapsed (note 52)	–	–	–	(3,092)	–	–	–	–	3,092	–	–	–	–	–	–	–
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	(41,709)	–	–	–	–	–	–	(41,709)	–	–	–	(369,411)	(369,411)	(411,120)
Disposal of subsidiaries (note 47(a))	–	–	–	–	–	–	–	(23,334)	23,334	–	–	–	–	(279,945)	(279,945)	(279,945)
Disposal of partial interest in subsidiaries without loss of control (note 47(b))	–	–	21,141	–	–	–	–	–	–	21,141	–	–	–	280,359	280,359	301,500
Distribution to holders of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(63,875)	–	–	–	(63,875)	(63,875)
Transfer	–	–	–	–	–	14,340	–	–	(14,340)	–	–	–	–	–	–	–
At 31 December 2015	497,797	2,200,190	246,141	17,933	40,600	59,183	1,477	20,368	7,324,802	10,408,491	710,500	118,114	28	1,002,904	1,831,546	12,240,037
Profit for the year	–	–	–	–	–	–	–	–	805,736	805,736	37,550	–	–	221,062	258,612	1,064,348
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	(13,746)	–	(13,746)	–	–	–	(9,228)	(9,228)	(22,974)
Deferred taxation liability arising from remearurement of defined benefit obligations	–	–	–	–	–	–	–	3,436	–	3,436	–	–	–	2,307	2,307	5,743
Other comprehensive income for the year	–	–	–	–	–	–	–	(10,310)	–	(10,310)	–	–	–	(6,921)	(6,921)	(17,231)

For the year ended 31 December 2016

	Attributable to owners of the Company										Attributable to non-controlling interests					
	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Share options reserve RMB'000 (Note iii)	Contribution reserve RMB'000 (Note iv)	Statutory reserves RMB'000 (Note v)	Discretionary reserves RMB'000	Revaluation reserve RMB'000 (Note vi)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share option reserve of Colour Life RMB'000	Share option reserve of Morning Star RMB'000	Other non–controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	(10,310)	805,736	795,426	37,550	–	–	214,141	251,691	1,047,117
Acquisition of subsidiaries (note 46 (a) and (b))	–	–	–	–	–	–	–	–	–	–	–	–	–	538,149	538,149	538,149
Issue of share upon exercise of share option	51	706	–	(342)	–	–	–	–	–	415	–	–	–	–	–	415
Dividend distributed to shareholders of the Company (note 11)	–	(255,793)	–	–	–	–	–	–	–	(255,793)	–	–	–	–	–	(255,793)
Deemed partial disposal of interest in a subsidiary without loss of control (note viii)	–	–	6,989	–	–	–	–	–	–	6,989	–	–	–	64,770	64,770	71,759
Recognition of equity-settled share-based payments (note 52)	–	–	–	–	–	–	–	–	–	–	–	79,041	2,914	–	81,955	81,955
Share repurchase under the share award scheme of Colour Life (note vii)	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,010)	(9,010)	(9,010)
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	(177)	–	–	–	–	–	–	(177)	–	–	–	(109)	(109)	(286)
Redemption of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(700,000)	–	–	–	(700,000)	(700,000)
Distribution to holders of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(48,050)	–	–	–	(48,050)	(48,050)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,473)	(5,473)	(5,473)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	159,915	159,915	159,915
Transfer	–	–	–	–	–	13,591	–	–	(13,591)	–	–	–	–	–	–	–
At 31 December 2016	497,848	1,945,103	252,953	17,591	40,600	72,774	1,477	10,058	8,116,947	10,955,351	–	197,155	2,942	1,965,287	2,165,384	13,120,735

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represented the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.

(iii) Share options reserve represented the share-based payment under the Company's share option scheme.

(iv) Contribution reserve represented (a) the contribution/distribution to shareholders during the group reorganisation in 2009; (b) the difference between consideration paid and fair value of net assets acquired from related parties; (c) the difference between the consideration received and carrying amount of net assets disposed of to related parties during the Group reorganisation in 2009; and (d) the waiver of shareholder loans in 2009.

(v) The statutory reserves and discretionary reserves attributable to subsidiaries in the PRC are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and transfer to capital upon approval from relevant authorities.

(vi) Property revaluation surplus arose from the transfer of owner-occupied property to investment properties at the date of change in use.

(vii) On 4 July 2016, a share award scheme was adopted by Colour Life Service Group Co., Limited ("Colour Life"), a non-wholly owned subsidiary of the Company with its shares listed on The Stock Exchange of Hong Kong Limited (the "SEHK"), to certain employees and consultants of Colour Life ("Grantees") as incentives or rewards for their contribution or potential contribution to Colour Life. The shares to be awarded are repurchased and held by an independent trustee appointed by Colour Life ("Trustee"). During the year ended 31 December 2016, 1,607,000 shares of Colour Life were repurchased by the Trustee under the share award scheme and the total consideration for acquisition of the aforesaid shares were RMB9,010,000, which was recognised as a deduction to the other non-controlling interests.

(viii) During the year ended 31 December 2016, 深圳市美易家商務服務集團股份有限公司 Shenzhen Home E&E Commercial Services Group Co., Ltd. ("Home E&E"), a non-wholly owned subsidiary of the Company, issued shares to several third parties at a total cash consideration of RMB71,759,000. Upon completion of the share subscription, the shareholding of the Company was diluted from 70.00% to 69.29% and it constituted a deemed disposal of partial interests in a subsidiary without loss of control. The difference between the consideration received and the 0.71% equity interest in Home E&E at the date of deemed partial disposal of interests in Home E&E amounted to RMB6,989,000 was recognised in special reserve.

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before tax	2,506,164	2,721,358
Adjustments for:		
Change in fair value of investment properties	(405,076)	(713,887)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	(478,005)	(175,922)
Change in fair value of financial assets designated as at FVTPL	(2,828)	(442)
Investment income from land development	(5,787)	–
Release of prepaid lease payments	14,487	15,852
Release of premium on prepaid lease payments	17,874	3,678
Amortisation of intangible assets	26,604	13,004
Depreciation of property, plant and equipment	174,102	130,213
Loss (gain) on disposal of property, plant and equipment	4,364	(169)
Gains on disposal of subsidiaries	(640,080)	(790,039)
Allowance on bad and doubtful debts, net	40,771	44,504
Interest income	(33,260)	(30,127)
Finance costs	932,238	302,340
Net foreign exchange loss	665,820	233,559
Share of results of associates	2,528	(626)
Share of results of joint ventures	(48,504)	7,324
Share-based payment expenses	81,955	90,923
Operating cash flows before movements in working capital	2,853,367	1,851,543
Additions to prepaid lease payments	(1,073,311)	–
Decrease in land development expenditure	–	315,930
Decrease (increase) in properties for sale	3,581,379	(705,348)
Increase in inventories	(15,190)	–
Increase in deposits paid for acquisition of land use rights	(45,000)	(44,392)
Increase in trade and other receivables	(866,651)	(267,137)
Decrease (increase) in amounts due from customers for contract works	15,310	(29,477)
Increase in amount due from related parties	(30,623)	(1,124)
Increase in amount due from a joint venture	(1,369)	–
(Decrease) increase in amounts due to customers for contract works	(395)	8,946
(Decrease) increase in trade and other payables	(1,663,250)	861,845
Increase in provisions	22,281	–
Decrease in defined benefit obligations	(981)	–
(Decrease) increase in deposits received for sale of properties	(2,447,922)	1,621,602
Cash generated from operations	327,645	3,612,388
Income tax paid	(571,075)	(521,660)
Interest paid	(1,508,386)	(1,120,405)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,751,816)	1,970,323

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Deposit paid for acquisition of a property project		(18,127)	(4,298)
Increase in restricted/pledged bank deposits		(661,342)	(421,886)
Settlement of consideration payables on acquisition of assets and liabilities through acquisition of subsidiaries and acquisition of businesses		(565,605)	(861,585)
Settlement of consideration receivables of disposal of subsidiaries	47(a)	761,000	492,856
Purchases of property, plant and equipment		(213,879)	(423,925)
Additions to investment properties		(294,229)	(604,318)
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	46(a)	(755,602)	(46,019)
Acquisition of businesses (net of cash and cash equivalents acquired)	46(b)	(616,089)	(529,020)
Deposits paid for acquisition of subsidiaries		(88,692)	(37,164)
Refund of deposit paid for acquisition of a subsidiary		38,000	–
Capital injection to associates		(64,000)	(4,410)
Capital injection to joint ventures		(111,119)	–
Bank interest received		33,260	30,127
Proceeds from disposal of property, plant and equipment		7,671	121,222
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	47(a)	1,607,646	1,432,479
Disposal of partial interests in subsidiaries resulting in loss of control	47(c)	204,862	–
Advance of loan receivables		(330,250)	–
Repayment of loan receivables		3,000	–
Purchase of available-for-sale investments		(20,200)	–
Settlement of receivable from Pixian Government		390,000	–
Settlement of receivable from Chengdu Government		420,000	–
Repayment from non-controlling shareholders		9,570	–
Proceeds from disposal of investment properties		1,051,689	10,673
Purchase of financial assets designated as at FVTPL		(462,099)	(74,558)
Redemption of financial assets designated as at FVTPL		356,852	109,958
Advance to related parties		(18,321)	(183,658)
Repayment from related parties		1,523,228	–
Advances to joint ventures		(1,936,431)	(30,403)
Advances to non-controlling shareholders		(49,951)	–
Repayment from joint ventures		407,027	–
Repayment from certain former subsidiaries		323,340	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		931,209	(1,023,929)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes and bonds		9,304,790	3,204,367
Repayment of senior notes		(1,000,000)	(795,926)
Repurchase of senior notes		(388,227)	–
Net proceeds from the issuance of assets backed securities		284,930	–
Repayment of principle receipts under securitisation arrangements		(12,500)	–
Contribution from non-controlling shareholders of the subsidiaries		159,915	4,500
Dividend paid to non-controlling shareholders of the subsidiaries		(5,473)	–
Deemed disposal of partial interests in a subsidiary without loss of control		71,759	–
New borrowings raised		2,312,760	1,582,989
Repayment of borrowings		(2,988,388)	(5,768,914)
Distribution to an owner of perpetual capital instrument		(48,050)	(63,875)
Redemption of perpetual capital instrument		(700,000)	–
Dividend paid to shareholders of the Company		(255,793)	(245,012)
Advances from associates		1,061,338	–
Acquisition of additional interest in subsidiaries	46(c)	(286)	(48,870)
Repayment of obligations under finance leases		(49,640)	(27,181)
Proceed from disposal of partial interests in a subsidiary without loss of control	47(b)	–	301,500
Issue of share upon exercise of share option		415	3,160
Repurchase of shares under shares award scheme of Colour Life		(9,010)	–
Advances from joint ventures		390,842	440,836
Repayments to joint ventures		(1,126,700)	(403,387)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		7,002,682	(1,815,813)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		6,182,075	(869,419)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,881,511	3,738,040
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		72,940	12,890
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		9,136,526	2,881,511

For the year ended 31 December 2016

1. General

The Company is a limited company incorporated in Cayman Islands and its shares are listed on SEHK. Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 56.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

For the year ended 31 December 2016

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of consolidate financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the consolidated financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be the most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management was reordered to note 48 while information to financial instruments was reordered to note 49. Other than the above presentation and disclosure change, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment will either be measured at fair value through profit or loss ("FVTPL") or be designated at FVTOCI. In addition, the expected credit loss model may result in early provision of credit loss which are not yet incurred in relation of the Group's financial assets measured at amortised cost.

For the year ended 31 December 2016

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 15 "Revenue from contracts with Customer"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

For the year ended 31 December 2016

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 16 "Leases" (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presents as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of RMB636,565,000 as disclosed in note 50. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company anticipate that the application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except for the above impact, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have significant impact on the Group's consolidated financial statements.

For the year ended 31 December 2016

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the stock exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, "Lease" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

3. Significant Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangement of the acquire or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition – date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. Significant Accounting Policies (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash – generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for the goodwill arising on the acquisition of an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. The associate and joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, and investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Sales of properties

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

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

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

Construction service fee

The Group's policy for recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Hotel operation

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

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner occupied purpose

When buildings are in the course of development for production, or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant Accounting Policies (continued)

Impairment losses on tangible assets and intangible assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties for sale

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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3. Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables, financial assets designated as FVTPL and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. Significant Accounting Policies (continued)

Financial instruments (continued)
Financial assets (continued)
Financial assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, (ii) it is designated as at FVTPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets designated as at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Available-for-sale ("AFS") financial assets
AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investment or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables (non-current), trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries, joint ventures and related parties, restricted/pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies (continued)

Financial instruments (continued)
Financial assets (continued)
Impairment of financial assets (continued)
For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Senior notes and bonds and assets backed securities issued

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

Bonds and assets backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and assets backed securities issued are recognised at fair value.

In subsequent periods, the liability component of the senior notes, bonds and assets backed securities issued are carried at amortised cost using the effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bonds and assets backed securities issued are included in the carrying amount of the senior notes and bonds and assets backed securities issued and amortised over the period of the senior notes and bonds and assets backed securities issued using the effective interest method.

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade and other payables, amounts due to non-controlling shareholders of subsidiaries, amounts due to joint ventures and associates, senior notes and bonds and assets backed securities issued) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale or for use in the production or supply of goods or services, and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of development of projects for sale whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of assets and liabilities through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

3. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Taxation (continued)

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant Accounting Policies (continued)

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line items of administrative expenses and finance costs. Curtailment gains and losses are accounted for as past service costs. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from services cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options scheme

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As at 31 December 2016, the carrying amount of deferred taxation on investment properties is RMB1,112,839,000 (2015: RMB1,149,931,000).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB15,347,979,000 (2015: RMB21,801,648,000). Cost, including the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on saleable gross floor area, using the weighted average method. The net realisable value is the estimated selling price (based on prevailing real estate market conditions in the PRC) less estimated selling expenses and estimated cost to completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 December 2016, the carrying amount of trade receivable is RMB1,720,333,000 (2015: carrying amount of RMB1,317,151,000).

Fair value measurements and valuation processes

The investment properties of the Group amounting to RMB6,981,839,000 (2015: RMB6,884,931,000) are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

For the year ended 31 December 2016

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes (continued)

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Note 14 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the LAT based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable upon the disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies. As at 31 December 2016, the carrying amount of deferred tax assets recognised for unused tax losses is RMB149,639,000 (2015: RMB168,510,000).

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

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4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill net of accumulated impairment loss was approximately RMB912,750,000 (2015: RMB733,549,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of intangible assets net of accumulated impairment loss was RMB259,248,000 (2015: RMB204,474,000).

Retirement benefit obligations

The retirement benefit obligations are estimated based on a number of factors that are determined on actuarial basis using a number of assumptions as disclosed in note 42. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. The changes in these assumptions will have an impact on the carrying amount of retirement benefit obligations. As at 31 December 2016, the carrying amount of defined benefit obligation was RMB126,952,000 (2015: nil).

5. Revenue and Segment Information

An analysis of the Group's revenue for the year is as follows:

	2016 RMB'000	2015 RMB'000
Sales of properties	8,365,954	6,562,066
Rental income	241,778	182,886
Property agency services	26,770	24,476
Property operation services	1,652,123	1,270,014
Hotel operations	113,867	121,620
Others	520,146	3,235
	10,920,638	8,164,297

For the year ended 31 December 2016

5. Revenue and Segment Information (continued)

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby management has chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the operating and reportable segments of the Group.

The Group has six reportable and operating segments as follows:

Property development	–	developing and selling of commercial and residential properties in the PRC
Property investment	–	leasing of commercial and residential properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation of security system and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sale and other ancillary services
Others	–	provision of travel agency services, and manufacturing and sale of fuel pumps which is newly acquired business in 2016

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, net exchange loss, change in fair value of financial assets designated as at FVTPL, share-based payment expenses, finance costs, share of results of associates and joint ventures, gains on disposal of subsidiaries. This is a measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, AFS investments, amounts due from non-controlling shareholders of the subsidiaries, joint ventures and related parties, financial assets designated as at FVTPL, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

For the year ended 31 December 2016

5. Revenue and Segment Information (continued)

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For 31 December 2016

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	8,365,954	241,778	26,770	1,652,123	113,867	520,146	10,920,638
Inter-segment revenues	17,833	–	–	115,969	–	–	133,802
Segment results	2,657,688	582,346	10,637	405,096	(5,112)	(44,781)	3,605,874
Segment assets	22,327,069	7,217,642	10,859	2,911,791	1,078,297	2,128,935	35,674,593
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	1,201,428	300,730	113	307,133	19,158	1,643,796	3,472,358
Change in fair value of investment properties	–	405,076	–	–	–	–	405,076
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	478,005	–	–	–	–	–	478,005
Release of prepaid lease payments	12,514	–	–	–	1,973	–	14,487
Release of premium on prepaid lease payments	17,874	–	–	–	–	–	17,874
Amortisation of intangible assets	–	–	–	23,107	–	3,497	26,604
Depreciation of property, plant and equipment	49,216	1,128	1,941	41,935	35,454	39,839	169,513
Loss on disposal of property, plant and equipment	–	–	–	4,364	–	–	4,364
Allowance on bad and doubtful debts, net	–	11,771	–	29,000	–	–	40,771

Inter-segment revenues are charged at prevailing market rate.

For the year ended 31 December 2016

5. Revenue and Segment Information (continued)

For 31 December 2015

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	6,562,066	182,886	24,476	1,270,014	121,620	3,235	8,164,297
Inter-segment revenues	16,979	–	–	107,361	–	–	124,340
Segment results	1,420,638	829,649	22,148	381,102	(9,270)	289	2,644,556
Segment assets	28,569,770	6,985,732	14,890	1,827,971	1,252,412	285,500	38,936,275
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	99,563	932,377	–	805,352	237,356	364,117	2,438,765
Change in fair value of investment properties	–	713,887	–	–	–	–	713,887
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	175,922	–	–	–	–	–	175,922
Release of prepaid lease payments	13,879	–	–	–	1,973	–	15,852
Release of premium on prepaid lease payments	3,678	–	–	–	–	–	3,678
Amortisation of intangible assets	–	–	–	13,004	–	–	13,004
Depreciation of property, plant and equipment	36,887	4,185	155	28,764	55,759	–	125,750
Loss (gain) on disposal of property, plant and equipment	(286)	–	–	604	(487)	–	(169)
Allowance on bad and doubtful debts, net	14,877	–	–	29,627	–	–	44,504

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets exclude interests in associates and joint ventures, AFS investments, deposits paid for acquisition of land use rights, subsidiaries and a property project, other receivables and deferred tax assets.

For the year ended 31 December 2016

5. Revenue and Segment Information (continued)

Reconciliation:

	2016 RMB'000	2015 RMB'000
Revenue:		
Total revenue for operating and reportable segments	11,054,440	8,288,637
Elimination of inter-segment revenues	(133,802)	(124,340)
Group's total revenue	10,920,638	8,164,297
Total segment results	3,605,874	2,644,556
Elimination of inter-segment results	(32,020)	(20,720)
Unallocated amounts:		
Interest income	33,260	30,127
Net exchange loss	(665,820)	(233,559)
Change in fair value of financial assets designated as at FVTPL	2,828	442
Share-based payment expenses	(81,955)	(90,923)
Finance costs	(932,238)	(302,340)
Share of results of associates	(2,528)	626
Share of results of joint ventures	48,504	(7,324)
Gains on disposal of subsidiaries	640,080	790,039
Other unallocated expenses	(109,821)	(89,566)
Profit before tax	2,506,164	2,721,358

5. Revenue and Segment Information (continued)

Reconciliation: (continued)

	2016 RMB'000	2015 RMB'000
Assets:		
Total assets for operating and reportable segments	35,674,593	38,936,275
Unallocated assets:		
Interests in associates	735,336	6,789
Interests in joint ventures	951,667	410,044
AFS investments	30,215	–
Amounts due from non-controlling shareholders of the subsidiaries	82,330	–
Amounts due from joint ventures	355,775	180,258
Amounts due from related parties	233,726	184,782
Financial assets designated as at FVTPL	127,275	19,200
Restricted/pledged bank deposits	1,997,824	1,336,482
Bank balances and cash	9,136,526	2,881,511
Other unallocated corporate assets	426,996	595,947
Group's total assets	49,752,263	44,551,288

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC.

During the years ended 31 December 2016 and 2015, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

As the Group's segment liabilities are not regularly reviewed by the chief operating decision makers, the liabilities for each operating segment is therefore not presented.

	2016 RMB'000	2015 RMB'000
Additions to non-current assets		
Reportable segment total	3,472,358	2,438,765
Unallocated amount	7,690	6,747
Group's total	3,480,048	2,445,512
Other material items:		
Depreciation of property, plant and equipment		
Reportable segment total	169,513	125,750
Unallocated amount	4,589	4,463
Group's total	174,102	130,213

For the year ended 31 December 2016

6. Other Income, Gains and Losses

	2016 RMB'000	2015 RMB'000
Interest income	33,260	30,127
Investment income from land development (note 27(e))	5,787	67,239
Change in fair value of financial assets designated as at FVTPL	2,828	442
Unconditional government grants	10,978	10,223
Net exchange loss	(665,820)	(233,559)
Others	27,795	17,168
	(585,172)	(108,360)

7. Finance Costs

	2016 RMB'000	2015 RMB'000
Interest on:		
– bank and other borrowings	399,414	383,066
– senior notes and bonds	1,364,974	887,481
– finance leases	14,488	4,447
– amount due to a non-controlling shareholder of the Company	17,996	48,581
– assets backed securities issued	6,863	–
Other finance costs	31,834	–
	1,835,569	1,323,575
Less: Amount capitalised in properties under development for sale	(896,985)	(812,774)
Amount capitalised in investment properties under construction	(6,346)	(186,155)
Amount capitalised in construction in progress	–	(22,306)
	932,238	302,340

During the year ended 31 December 2016, certain amounts of finance costs capitalised arose from the general borrowing pool and were calculated by applying the capitalisation rate of 9.6% per annum (2015: 13.8% per annum) to expenditures on qualifying assets.

For the year ended 31 December 2016

8. Profit Before Tax

	2016 RMB'000	2015 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	16,962	17,344
Other staff's salaries and allowances	913,293	443,896
Defined benefit scheme costs	3,736	–
Retirement benefit scheme contributions	130,091	76,998
Share-based payments	81,955	90,327
Total staff costs	1,146,037	628,565
Less: Amount capitalised in properties under development for sale	(194,356)	(206,042)
	951,681	422,523
Auditor's remuneration	4,700	4,280
Release of prepaid lease payments	14,487	15,852
Release of premium on prepaid lease payments	17,874	3,678
Depreciation of property, plant and equipment	174,102	130,213
Amortisation of intangible assets	26,604	13,004
Loss (gain) on disposal of property, plant and equipment	4,364	(169)
Allowance on bad and doubtful debts, net	40,771	44,504
Cost of properties sold recognised as an expense	5,951,592	4,726,772
Gross rental income from investment properties	(241,778)	(182,886)
Less: Direct operating expenses from investment properties that generated rental income	15,121	11,722
	(226,657)	(171,164)
Rental expenses in respect of rented premises under operating leases	47,222	21,088

For the year ended 31 December 2016

9. Income Tax Expense

	2016 RMB'000	2015 RMB'000
Current tax in the PRC		
PRC enterprise income tax ("EIT")	848,061	732,318
LAT	694,351	342,468
	1,542,412	1,074,786
Deferred tax (note 25)		
(Credit)/charge to profit and loss	(100,596)	243,756
	1,441,816	1,318,542

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

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

For the year ended 31 December 2016

9. Income Tax Expense (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Notes	2016 RMB'000	2015 RMB'000
Profit before tax		2,506,164	2,721,358
Tax at PRC EIT rate of 25% (2015: 25%)	(a)	626,541	680,340
Tax effect of share of results of associates		632	(157)
Tax effect of share of results of joint ventures		(12,126)	1,831
Tax effect of income not taxable for tax purpose		(5,864)	(7,765)
Tax effect of expenses not deductible for tax purpose	(b)	250,017	161,399
Tax effect of tax losses not recognised		224,246	346,774
Utilisation of tax losses previously not recognised		(146,821)	(5,451)
LAT		694,351	342,468
Tax effect of LAT		(173,588)	(85,617)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions		–	(110,382)
Tax effect of tax rate differential of certain subsidiaries with preferential tax rate		(17,509)	(6,494)
Others		1,937	1,596
Income tax expense for the year		1,441,816	1,318,542

Notes:

(a) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable EIT rate of those subsidiaries is 25%.

(b) The amounts for the years ended 31 December 2016 and 2015 mainly represented the tax effect of expenses incurred by offshore companies, including the interest on senior notes, share-based payment expenses, exchange loss and professional fees.

For the year ended 31 December 2016

10. Directors', Chief Executive's and Employees' Remunerations

The emoluments paid or payable to the directors and the chief executive disclosed pursuant to the applicable Listing Rules and CO were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2016						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	4,447	257	74	–	4,778
Ms. Zeng Jie, Baby (曾寶寶)	–	4,447	257	74	–	4,778
Mr. Lam Kam Tong (林錦堂)	–	2,644	332	–	–	2,976
Mr. Zhou Jinquan (周錦泉)	–	2,319	363	68	–	2,750
Non-executive directors:						
Mr. Li Dongsheng (李東生)	240	–	–	–	–	240
Mr. Yuan Haodong (袁浩東)	240	–	–	–	–	240
Independent non-executive directors:						
Mr. He Min (何敏)	240	–	–	–	–	240
Mr. Huang Ming (黃明)	240	–	–	–	–	240
Mr. Liao Jianwen (廖建文)	240	–	–	–	–	240
Ms. Wong Pui Sze (王沛詩)	240	–	–	–	–	240
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
	1,680	13,857	1,209	216	–	16,962
For the year ended 31 December 2015						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	3,940	220	54	188	4,402
Ms. Zeng Jie, Baby (曾寶寶)	–	3,940	220	54	188	4,402
Mr. Lam Kam Tong (林錦堂)	–	2,312	403	–	104	2,819
Mr. Zhou Jinquan (周錦泉)	–	1,586	384	60	–	2,030
Mr. Wang Liang (王亮) (note ii)	–	1,662	252	42	52	2,008
Non-executive directors:						
Mr. Li Dongsheng (李東生)	240	–	–	–	–	240
Mr. Yuan Haodong (袁浩東)	240	–	–	–	–	240
Independent non-executive directors:						
Mr. He Min (何敏)	240	–	–	–	30	270
Mr. Huang Ming (黃明)	240	–	–	–	30	270
Mr. Xu Quan (許權) (note iii)	32	–	–	–	4	36
Mr. Liao Jianwen (廖建文) (note iv)	209	–	–	–	–	209
Ms. Wong Pui Sze (王沛詩) (note iv)	209	–	–	–	–	209
Mr. Guo Shaomu (郭少牧) (note iv)	209	–	–	–	–	209
	1,619	13,440	1,479	210	596	17,344

For the year ended 31 December 2016

10. Directors', Chief Executive's and Employees' Remunerations (continued)

Notes:

(i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Mr. Wang Liang resigned on 30 June 2015.

(iii) Mr. Xu Quan resigned on 17 February 2015.

(iv) Ms. Liao Jianwen, Ms. Wong Pui Sze and Mr. Guo Shaomu were appointed on 17 February 2015.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Five highest paid employees

The five individuals with the highest emoluments in the Group included 4 (2015: 3) directors for the year ended 31 December 2016. Details of their emoluments are set out above. The emoluments of the remaining 1 (2015: 2) of the five highest paid individuals is as follows:

	2016 RMB'000	2015 RMB'000
Salaries and allowances	3,547	5,530
Discretionary bonus	348	549
Retirement benefit scheme contributions	74	72
Share-based payments	–	104
	3,969	6,255

For the year ended 31 December 2016

10. Directors', Chief Executive's and Employees' Remunerations (continued)

Five highest paid employees (continued)

Their emoluments were within the following band:

	2016 No. of employees	2015 No. of employees
HKD3,000,001 to HKD3,500,000	–	1
HKD4,000,001 to HKD4,500,000	1	1

During the years ended 31 December 2016 and 2015, no remuneration was paid by the Group to any of the directors, Chief Executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and Chief Executive waived any remuneration for the years ended 31 December 2016 and 2015.

11. Dividends

	2016 RMB'000	2015 RMB'000
Dividends recognised as distribution during the year:		
2015 Final – HK5.00 cents		
(2015: 2014 final dividend HK5.39 cents) per share	255,793	245,012

Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2016 of HK5.00 cents, equivalent to RMB4.47 cents (2015: final dividend in respect of year ended 31 December 2015 of HK5.00 cents, equivalent to RMB4.19 cents) per share amounting to approximately RMB257,699,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

For the year ended 31 December 2016

12. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016 RMB'000	2015 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	805,736	1,210,610
Effect of dilutive potential ordinary shares:		
Share options of a subsidiary	–	(40)
Earnings for the purpose of diluted earnings per share	805,736	1,210,570
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,761,656,613	5,759,214,304
Effect of dilutive potential ordinary shares:		
Share options	15,015,200	4,122,311
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,776,671,813	5,763,336,615

Those share options granted by Colour Life (a non wholly-owned subsidiary of the Company) have no impact on the computation of diluted earnings per share for the year ended 31 December 2016 where the exercise price of the share options was higher than the average market price of the Colour Life's share, and the computation of diluted earnings per share for the years ended 31 December 2016 and 2015 does not take into account the effect of the share options of Morning Star Group Limited ("Morning Star") (a wholly owned subsidiary of the Company) as its impact is anti-dilutive.

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13. Property, Plant and Equipment

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2015	742,425	181,413	86,630	123,255	274,783	362,791	1,771,297
Transfer from properties for sale	54,565	–	–	–	–	–	54,565
Transfer from investment properties (note 14)	–	4,343	–	–	–	–	4,343
Transfer upon completion	449,091	–	–	45,658	–	(494,749)	–
Additions	–	–	78,366	47,635	16,497	303,733	446,231
Acquisition of subsidiaries (note 46(a)(b))	–	87,671	2,956	8,089	1,956	–	100,672
Transfer to investment properties (note)	(14,404)	(33,649)	–	–	–	–	(48,053)
Disposal of subsidiaries (note 47(a))	(113,889)	–	–	–	–	–	(113,889)
Disposals	(115,202)	(2,614)	(315)	(10,186)	(2,018)	–	(130,335)
At 31 December 2015	1,002,586	237,164	167,637	214,451	291,218	171,775	2,084,831
Transfer upon completion	19,154	–	–	25,921	–	(45,075)	–
Additions	–	15,792	19,648	47,559	5,154	125,726	213,879
Acquisition of subsidiaries (note 46(a)(b))	–	244,224	62	8,312	1,336	31,851	285,785
Disposal of subsidiaries (note 47(a)(c))	–	–	(2,032)	(3,280)	(1,252)	–	(6,564)
Disposals	–	(32,012)	(8,589)	(6,324)	(2,317)	–	(49,242)
At 31 December 2016	1,021,740	465,168	176,726	286,639	294,139	284,277	2,528,689
DEPRECIATION							
At 1 January 2015	65,299	43,353	29,158	40,547	51,058	–	229,415
Provided for the year	26,279	36,998	15,201	31,224	20,511	–	130,213
Transfer to investment properties (note)	(2,366)	–	–	–	–	–	(2,366)
Eliminated on disposal of subsidiaries (note 47(a))	(30,018)	–	–	–	–	–	(30,018)
Eliminated on disposals	(2,503)	(48)	(315)	(4,702)	(1,714)	–	(9,282)
At 31 December 2015	56,691	80,303	44,044	67,069	69,855	–	317,962
Provided for the year	27,902	51,762	37,303	46,162	10,973	–	174,102
Eliminated on disposal of subsidiaries (note 47(a)(c))	–	–	(1,575)	(1,968)	(897)	–	(4,440)
Eliminated on disposals	–	(27,458)	(5,221)	(2,805)	(1,723)	–	(37,207)
At 31 December 2016	84,593	104,607	74,551	108,458	78,208	–	450,417
CARRYING AMOUNTS							
At 31 December 2016	937,147	360,561	102,175	178,181	215,931	284,277	2,078,272
At 31 December 2015	945,895	156,861	123,593	147,382	221,363	171,775	1,766,869

Note: During the year ended 31 December 2015, buildings with carrying amount of RMB45,687,000 were transferred to investment properties upon change in use as evidenced by commencement of operating leases. The excess of the fair value of these properties at the date of change in use over the carrying amounts, amounting to RMB11,876,000 was recognised in other comprehensive income and accumulated in the property revaluation reserve and non-controlling interests in equity.

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13. Property, Plant and Equipment (continued)

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease or 20 years
Buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvements	5 to 10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 to 15 years

The buildings are all situated on land in the PRC and USA.

As at 31 December 2016, certain of the Group's buildings and hotel buildings with carrying amounts of RMB303,848,000 (2015: RMB741,470,000) were pledged to banks to secure the banking facilities granted to the Group.

As at 31 December 2016, transportation equipment amounting to RMB174,544,000 (2015: RMB204,255,000).

14. Investment Properties

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2015	4,633,480	2,008,595	6,642,075
Additions	3,011	787,462	790,473
Transfer from completed properties for sale (note 26)	345,729	–	345,729
Transfer from property, plant and equipment (note 13)	57,563	–	57,563
Acquisition of subsidiaries (note 46(a)(b))	139,694	–	139,694
Net change in fair value recognised in profit or loss	254,767	459,120	713,887
Transfer upon completion of construction work	364,475	(364,475)	–
Transfer to property, plant and equipment (note 13)	(4,343)	–	(4,343)
Disposal of subsidiaries (note 47(a))	(1,060,654)	(728,820)	(1,789,474)
Disposals	(10,673)	–	(10,673)
At 31 December 2015	4,723,049	2,161,882	6,884,931
Additions	–	300,575	300,575
Transfer from completed properties for sale (note 26)	1,147,377	–	1,147,377
Net change in fair value recognised in profit or loss	185,049	220,027	405,076
Transfer upon completion of construction work	1,017,208	(1,017,208)	–
Disposal of subsidiaries (note 47(a)(c))	(704,431)	–	(704,431)
Disposals	(1,051,689)	–	(1,051,689)
At 31 December 2016	5,316,563	1,665,276	6,981,839
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2015 (note)	392,145	459,120	851,265
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2016 (note)	467,157	220,027	687,184

Note: Unrealised gain on property revaluation included change in fair value of investment properties and change in fair value of completed properties for sale upon transfer to investment which have been presented on the face of the statement of profit or loss and other comprehensive income.

14. Investment Properties (continued)

As at 31 December 2016, the fair value of the Group's completed investment properties of RMB5,316,563,000 (2015: RMB4,723,049,000) and investment properties under development of RMB1,665,276,000 (2015: RMB2,161,882,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, an independent qualified professional valuers not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties as at 31 December 2016 and 2015 are determined by income capitalisation method and direct comparison method. Income capitalisation method is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction as at 31 December 2016 and 2015 are arrived at by residual method and direct comparison method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development. Direct comparison approach is arrived at by reference to comparable market transactions and presuppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors.

In estimating the fair value of the properties, highest and best use of the properties is their current use.

As at 31 December 2016, investment properties with fair value of RMB512,111,000 (2015: RMB582,498,000) represented completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied according to the relevant laws and regulations in the PRC.

As at 31 December 2016, certain of the Group's investment properties with an aggregate fair value of RMB1,588,802,000 (2015: RMB736,349,000) were pledged to banks to secure the banking facilities granted to the Group.

All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2016 and 2015 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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14. Investment Properties (continued)

Investment properties held by the Group	Fair value as at 31 December 2016 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	4,756,719	Shenzhen, Tianjin, Chengdu, Nanjing, Tokyo, Dongguan, Guilin, Wuhan	Level 3	Income capitalisation method – income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	2% – 6%	A slight increase in term yield would not result in significant decrease in fair value, and vice versa.
					2. Reversionary yield	2.3% – 6.5%	A slight increase in reversionary yield would not result in significant decrease in fair value, and vice versa.
					3. Vacancy ratio	0% – 20%	A slight increase in vacancy ratio would not result in significant decrease in fair value, and vice versa.
Completed investment properties	559,844	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Adjustment made to account for differences in location	3% – 10%	N/A
Investment properties under construction	1,457,965	Nanjing, Suzhou, Chengdu	Level 3	Residual method – based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value (RMB'000) on completion basis	RMB5,800 – RMB151,400	A significant increase/ decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	20%	A significant increase in developer's profit would result in significant decrease in fair value, and vice versa.
					3. Marketing costs	3%	A slight increase in marketing costs would not result in significant decrease in fair value, and vice versa.
					4. Construction costs to completion	N/A	A significant increase in construction costs to completion would result in significant decrease in fair value, and vice versa.
Investment properties under construction	207,311	Huizhou, Chengdu	Level 2	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm)	RMB850 – RMB1,450	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
	6,981,839						

14. Investment Properties (continued)

Investment properties held by the Group	Fair value as at 31 December 2015 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	4,100,912	Shenzhen, Tianjin, Chengdu, Nanjing	Level 3	Income capitalisation method – income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	2% – 6%	A slight increase in term yield would not result in significant decrease in fair value, and vice versa.
					2. Reversionary yield	2.3% – 6.5%	A slight increase in reversionary yield would not result in significant decrease in fair value, and vice versa.
					3. Vacancy ratio	0% – 20%	A slight increase in vacancy ratio would not result in significant decrease in fair value, and vice versa.
Completed investment properties	622,137	Shenzhen Dongguan Huizhou Wuhan	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Adjustment made to account for differences in location	3% – 10%	N/A
Investment properties under construction	2,074,050	Nanjing, Tianjin, Suzhou	Level 3	Residual method – based gross development value and taken into account the construction costs that will be expended to complete the development.	1. Gross development value (RMB'000) on completion basis	RMB57,000 – RMB142,400	A significant increase/ decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	20%	A significant increase in developer's profit would result in significant decrease in fair value, and vice versa.
					3. Marketing costs	3%	A slight increase in marketing costs would not result in significant decrease in fair value, and vice versa.
					4. Construction costs to completion	N/A	A significant increase in construction costs to completion would result in significant decrease in fair value, and vice versa.
Investment properties under construction	87,832	Chengdu	Level 2	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm)	RMB1,400	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
	6,884,931						

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14. Investment Properties (continued)

During the year ended 31 December 2016, there were investment properties amounting to RMB50,739,000 (2015: RMB415,560,000) transferred out of Level 3 to Level 2 upon completion of construction work, and the fair value of the investment properties is determined by direct comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property. There were no transfers into Level 3 during the years ended 31 December 2016 and 31 December 2015.

15. Interests in Associates

	2016 RMB'000	2015 RMB'000
Cost of investments, unlisted	736,475	5,400
Share of post-acquisition results, net of dividends received	(1,139)	1,389
	735,336	6,789

As at 31 December 2016 and 2015, the Group had interests in the following associates:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2016	2015	2016	2015	
Shenzhen Yuezhong Property Management Co., Ltd. ("Yuezhong") 深圳市越眾物業管理有限公司	PRC	PRC	50%^	50%^	50%^	50%^	Property development in PRC
Shenzhen Qianhai House Keeper Network Service Co., Ltd. ("Qianhai House") 深圳市前海房管家網路服務有限公司	PRC	PRC	49%	49%	49%	49%	Property development in PRC
Capitalrise Investment Pte. Ltd. 新加坡置富投資有限公司	Singapore	Singapore	29%	29%	29%	29%	Inactive
Fantasia Pension Investment Management (Shanghai) Co., Ltd. ("Fantasia Pension") 花樣年養老投資管理(上海)有限公司	PRC	PRC	35%*	–	35%*	–	Inactive

15. Interests in Associates (continued)

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group 2016	Equity interest attributable to the Group 2015	Proportion of voting power held by the Group 2016	Proportion of voting power held by the Group 2015	Principal activities
Huawanli Investment (Beijing) Co., Ltd. ("Beijing Huawanli") 花萬里投資（北京）有限公司 (note 47(c))	PRC	PRC	1%*	–	1%*	–	Property development in PRC
Shenzhen Haohanying Industrial Co., Ltd. ("Shenzhen Haohanying") 深圳市浩瀚盈實業有限公司	PRC	PRC	10%*	–	10%*	–	Property development in PRC
Wuhu Xinjia Investment Center (Limited Partnership) ("Wuhu Xinjia") 蕪湖信嘉投資中心（有限合夥） (note 47(c))	PRC	PRC	46%[Δ]	–	33%[Δ]	–	Investment management in PRC
Shanghai Yaozhi Asset Management Center (Limited Partnership) ("Shanghai Yaozhi") 上海耀之資産管理中心（有限合夥）	PRC	PRC	79%[Δ]	–	33%[Δ]	–	Investment management in PRC

Notes:

^ Pursuant to the shareholder's agreement, the Group has the right to cast 50% of the votes of Yuezhong at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Yuezhong. Other than the Group, Yuezhong has two other shareholders which hold the remaining equity interest in Yuezhong of 40% and 10%, respectively. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting. Therefore, Yuezhong is accounted for as an associate of the Group.

* These companies are accounted for as the associates of the Group at the respective period end date as in accordance with the memorandum and article of the companies, major financial and operating policies of these companies require consent with simple majority in the board of directors which is the governing body. 2 out of 5 directors of Fantasia Pension, and 1 out of 3 directors of Beijing Huawanli, and 1 out of 4 directors of Shenzhen Haohanying were appointed by the Group, respectively. Thus, the Group is only able to exercise significant influence over these companies.

Δ The Group is a limited partner of Wuhu Xinjia and Shanghai Yaozhi which are partnership entities and have two other partners, respectively. Pursuant to the limited partnership agreement, the Group has the right to cast one vote of Wuhu Xinjia and Shanghai Yaozhi at the investment committee's meeting, the governing body which directs the relevant activities that significantly affect the returns of Wuhu Xinjia and Shanghai Yaozhi. The approval of relevant activities require two thirds of the total votes. Therefore, Wuhu Xinjia and Shanghai Yaozhi are accounted for as associates of the Group.

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15. Interests in Associates (continued)

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represented amounts shown in the associate's financial statement prepared in accordance with HKFRSs.

Wuhu Xinjia

	2016 RMB'000
Current assets	1,051,557
Non-current assets	627,704
Current liabilities	6,962
Loss and other comprehensive expense for the year	(5,096)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wuhu Xinjia recognised in the consolidated financial statements:

	2016 RMB'000
Net assets of Wuhu Xinjia	1,672,299
Proportion of the Group's ownership interest in Wuhu Xinjia	46%
Non-controlling interests of Wuhu Xinjia's subsidiary	(2,489)
	766,769
Unrealised profit	(109,320)
Carrying amount of the Group's interest in Wuhu Xinjia	657,449

Aggregate information of associates that are not individually material

	2016 RMB'000	2015 RMB'000
The Group's share of profit	(184)	626
Aggregate carrying amount of the Group's interests in these associates	77,887	6,789

16. Interests in Joint Ventures

	2016 RMB'000	2015 RMB'000
Cost of investments, unlisted	922,935	429,816
Share of post-acquisition results, net of dividends received	28,732	(19,772)
	951,667	410,044

As at 31 December 2016 and 2015, the Group had interests in the following joint ventures:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest and voting power attributable to the Group		Principal activities
			2016	2015	
Nanjing Zhongchu Property Development Co., Ltd. ("Nanjing Zhongchu") 南京中儲房地產開發有限公司 (note (a))	PRC	PRC	60.0%	60.0%	Property development in PRC
Fantasia (Novena) Pte. Ltd. ("Novena") (note (a))	Singapore	Singapore	90.0%	90.0%	Property development in Singapore
TCL Yituobang (Wuhan) City Construction Investment Co., Ltd. ("WuhanYituobang") TCL伊托邦(武漢)城市建設投資有限公司 (note (a))	PRC	PRC	50.0%	50.0%	Property development in PRC
Shenzhen Qianhai Jianian Dingsheng Investment Management Co., Ltd. ("Shenzhen Dingsheng ") 深圳前海嘉年鼎盛投資管理有限公司 (note (a))	PRC	PRC	49.0%	–	Investment management in PRC

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16. Interests in Joint Ventures (continued)

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest and voting power attributable to the Group 2016	2015	Principal activities
Shenzhen Qianhai Jianian Yunling Investment Fund Management Co., Ltd. ("Shenzhen Yunling") 深圳前海嘉年雲領投資基金管理有限公司 (note (a))	PRC	PRC	50.0%	–	Investment management in PRC
Chuangshi Jianian Fund ("Chuangshi Jianian") (note (a)) (note 47(c)(iii)) 創世嘉年基金	PRC	PRC	38.8%	–	Investment management in PRC
Shenzhen Xingfu Wanxiang Investment Fund Management (Limited Partnership) ("Shenzhen Wanxiang") 深圳市幸福萬象投資合夥企業（有限合夥）(note (b))	PRC	PRC	50.0%	–	Investment management in PRC
Fantasia Anchor Investment III LLC (note (a))	USA	USA	40.0%	–	Investment management in USA
Fantasia Anchor Capital Management LLC (note (a))	USA	USA	79.1%	–	Investment management in USA

Notes:

(a) These companies are accounted for as joint ventures as at respective period end date as in accordance with the memorandum and articles of the companies, major financial and operating policies of these companies require the unanimous consent of all directors.

(b) On 1 July 2016, Shenzhen Wanxiang was newly established pursuant to a limited partnership agreement entered into by Shenzhen Jiaxin Advisory Services Co., Ltd. 深圳市嘉信諮詢服務有限公司 ("Shenzhen Jiaxin") (as limited partner) a subsidiary of a joint venture of the Group, and Qianhai Jianian Investment Fund Management Co., Ltd 深圳前海嘉年投資基金管理有限公司 ("Qianhai Jianian") (as general partner), wholly-owned subsidiaries of the Company, 長城嘉信資產管理有限公司 (as limited partner and referred to "Changcheng Jiaxin") and Shenzhen Xincheng Investment Management Co., Ltd. 深圳鑫橙投資管理有限公司 (as general partner and referred to as "Shenzhen Xincheng"), two independent third parties (the "Limited Partnership Agreement"). In the formation of the Shenzhen Wanxiang, Shenzhen Jiaxin and Changcheng Jiaxin provided capital contribution of RMB980,000,000 and RMB1,000,000,000, respectively, and satisfied in cash, and are entitled to an expected return at a rate of 4.379% per annum pursuant to the Limited Partnership Agreement. Qianhai Jianian and Shenzhen Xincheng provided capital contribution of RMB1,000,000 and RMB1,000,000 respectively. Unanimous consent of general partners is required on making decisions on relevant activities of Shenzhen Wanxiang. Therefore, Shenzhen Wanxiang is accounted for as a joint venture of the Group.

On 2 August 2016, Shenzhen Wanxiang acquired 99% equity interest in Wanda Property Management Company Limited 萬達物業管理有限公司 ("Wanda Property") at a cash consideration of RMB1,980,000,000 from an independent third party. Wanda Property is accounted for as a subsidiary of Shenzhen Wanxiang and is principally engaged in provision of property operation service in the PRC.

16. Interests in Joint Ventures (continued)

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represented amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using equity method in these consolidated financial statement.

Nanjing Zhongchu

	2016 RMB'000	2015 RMB'000
Current assets	3,818,455	3,029,584
Non-current assets	324	339
Current liabilities	3,248,515	2,437,031
The above amounts of assets and liabilities include the following:		
Bank balance and cash	42,973	38,677
Loss and other comprehensive expense for the year	(22,628)	(7,223)
The above loss for the year include the following:		
Depreciation and amortisation	(15)	(45)
Interest income	60,151	58,180

Reconciliation of the above summarised financial information to the carrying amount of the interest in Nanjing Zhongchu recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of Nanjing Zhongchu	570,264	592,892
Proportion of the Group's ownership interest in Nanjing Zhongchu	60%	60%
Carrying amount of the Group's interest in Nanjing Zhongchu	342,158	355,735

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16. Interests in Joint Ventures (continued)

Chuangshi Jianian

	2016 RMB'000
Current assets	1,010,667
Current liabilities	12,005
The above amounts of assets and liabilities include the following:	
Bank balances and cash	33
Profit and other comprehensive income for the year	14,127
The above profit for the year include the following:	
Interest income	12,875

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chuangshi Jianian recognised in the consolidated financial statements:

	2016 RMB'000
Net assets of Chuangshi Jianian	998,662
Proportion of the Group's ownership interest in Chuangshi Jianian	38.8%
Carrying amount of the Group's interest in Chuangshi Jianian	387,481

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16. Interests in Joint Ventures (continued)

Shenzhen Wanxiang

	2016 **RMB'000**
Current assets	1,249,671
Non-current assets	1,882,024
Current liabilities	958,559
Non-current liabilities	2,134,922
The above amounts of assets and liabilities include the following:	
Bank balances and cash	275,371
Current financial liabilities (excluding trade and other payables and provisions)	33,116
Non-current financial liabilities (excluding trade and other payables and provisions)	2,134,922
Revenue	667,261
Profit and other comprehensive income for the year	29,609
The above profit for the year include the following:	
Depreciation and amortisation	29,294
Interest income	7,007
Interest expense	40,588
Income tax expense	15,119

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16. Interests in Joint Ventures (continued)

Shenzhen Wanxiang (continued)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Shenzhen Wanxiang recognised in the consolidated financial statements:

	2016 RMB'000
Net assets of Shenzhen Wanxiang	38,214
Proportion of the Group's ownership interest in Shenzhen Wanxiang	50.0%
Carrying amount of the Group's interest in Shenzhen Wanxiang	19,107

Aggregate information of joint ventures that are not individually material

	2016 RMB'000	**2015 RMB'000**
The Group's share of profit	41,795	2,713
Aggregate carrying amount of the Group's interests in these joint ventures	202,921	54,309

17. Available-For-Sale Investments

	2016 RMB'000	**2015 RMB'000**
Unlisted equity investments, at cost	30,215	–

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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18. Goodwill

	RMB'000
COST	
At 1 January 2015	165,434
Arising on acquisition of businesses (note 46(b))	599,631
At 31 December 2015	765,065
Arising on acquisition of businesses (note 46(b))	179,201
At 31 December 2016	944,266
IMPAIRMENT	
At 1 January 2015, 31 December 2015 and 2016	31,516
CARRYING AMOUNTS	
At 31 December 2016	912,750
At 31 December 2015	733,549

Goodwill arose from acquisition of subsidiaries whose principal activities are mainly provision of property operation services.

Goodwill acquired in business combinations is allocated, at acquisition, to the cash generating units ("CGU") comprising property operation services segment, that are expected to benefit from those business combinations.

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a 5-year period and at a discount rate which ranges from 14% to 20% (2015: 14% to 20%) per annum. The cash flows beyond the 5-year period are extrapolated using zero growth rate.

Cash flow projections during the budget period for the CGU are based on management's key estimation of cash inflows/ outflows including revenue, gross profit, operating expenses and working capital requirements. The assumptions and estimation are based on the CGU past performance and management's expectation of market development. The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amount to exceed its recoverable amount.

During the year ended 31 December 2016 and 2015, management of the Group determined that there is no impairment of its CGU containing goodwill for the acquisition of businesses.

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19. Intangible Assets

	Property management contracts and customer relationship RMB'000	Trademark RMB'000	Total RMB'000
COST			
At 1 January 2015	31,261	–	31,261
Arising on acquisition of subsidiaries (note 46(b))	138,187	52,441	190,628
At 31 December 2015	169,448	52,441	221,889
Arising on acquisition of subsidiaries (note 46(b))	81,378	–	81,378
At 31 December 2016	250,826	52,441	303,267
AMORTISATION			
At 1 January 2015	4,411	–	4,411
Charge for the year	13,004	–	13,004
At 31 December 2015	17,415	–	17,415
Charge for the year	23,107	3,497	26,604
At 31 December 2016	40,522	3,497	44,019
CARRYING AMOUNT			
At 31 December 2016	210,304	48,944	259,248
At 31 December 2015	152,033	52,441	204,474

The property management contracts, customer relationship and trade mark were acquired from independent third parties through the acquisition of subsidiaries.

The above intangible assets have finite useful lives and are amortised on a straight line basis over the contract term ranging from 60 months to 180 months.

20. Prepaid Lease Payments

	2016 RMB'000	2015 RMB'000
Non-current assets	1,765,515	868,698
Current assets	48,151	34,274
	1,813,666	902,972

As at 31 December 2016, certain of the Group's prepaid lease payments with a carrying amount of RMB11,448,000 (2015: RMB435,475,000) were pledged to banks to secure the banking facilities granted to the Group.

During the year ended 31 December 2016, prepaid lease payments of RMB149,950,000 (2015: nil) was transferred to properties under development for sale upon commencement of the related construction work in certain property development projects.

21. Premium on Prepaid Lease Payments

Premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments and amounting to RMB1,621,230,000 (2015: RMB175,847,000) in respect of leasehold lands in the PRC under long-term lease acquired through acquisition of subsidiaries during the year and are amortised over the period of the remaining lease term on a straight-line basis.

	RMB'000
COST	
At 1 January 2015 and 31 December 2015	204,376
Acquisition of subsidiaries (note 46(a) and (b))	1,635,601
Disposal of subsidiaries (note 47(c))	(195,774)
At 31 December 2016	1,644,203
AMORTISATION	
At 1 January 2015	24,851
Amortised for the year	3,678
At 31 December 2015	28,529
Amortised for the year	17,874
Disposal of subsidiaries (note 47(c))	(23,430)
At 31 December 2016	22,973
CARRYING AMOUNTS	
At 31 December 2016	1,621,230
At 31 December 2015	175,847

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21. Premium on Prepaid Lease Payments (continued)

Analysed for reporting purposes as:

	2016 RMB'000	2015 RMB'000
Non-current assets	1,592,486	172,169
Current assets	28,744	3,678
	1,621,230	175,847

22. Deposits Paid for Acquisition of Subsidiaries

As at 31 December 2016, the Group had made deposits of RMB124,593,000 (2015: RMB124,593,000) in relation to the acquisition of certain parcels of land through acquisition of Yunnan Zhongfucheng Property Development Co., Limited 雲南眾福成房地產開發有限公司 ("Yunnan Zhongfucheng") from an independent third party. The aforesaid company is principally engaged in property development in the PRC.

As at 31 December 2016, the Group had made deposits of RMB142,537,000 (2015: RMB106,736,000) in relation to the acquisition of a number of companies which are principally engaged in property operation in the PRC from independent third parties. According to the sale and purchase agreements, the deposits paid will be fully refunded to the Group if the acquisition is not successful.

At the date theses consolidated financial statement are authorised for issuance, the acquisition of these subsidiaries has not been completed.

23. Deposit Paid for Acquisition of a Property Project

As at 31 December 2016, the Group had made deposit of RMB159,073,000 (2015: RMB140,946,000) in relation to the acquisition of a property project from an independent property developer.

The aforesaid deposit related to acquisition of a building for hotel operations and is therefore classified as non-current assets. At the date theses consolidated financial statement are authorised for issuance, the acquisition of this project has not been completed.

24. Deposits Paid for Acquisition of Land Use Rights

As at 31 December 2016, the Group had made deposits of RMB1,095,077,000 (2015: RMB1,050,077,000) in relation to acquisition of land use rights from independent third parties.

25. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Deferred tax assets	(466,577)	(462,161)
Deferred tax liabilities	1,236,629	1,071,358
	770,052	609,197

	Fair value change of investment properties RMB'000	Revaluation of investment properties, and revaluation of assets under business combination RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Intangible assets RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2015	1,157,227	22,959	(43,369)	(173,901)	6,712	(372,187)	597,441
Charge to other comprehensive income	–	2,969	–	–	–	–	2,969
Acquisition of subsidiaries (note 46(a)(b))	14,065	12,139	(2,099)	(1,151)	43,199	(5,902)	60,251
Charge (credit) to profit or loss	265,841	–	(3,429)	6,467	(3,251)	(21,872)	243,756
Disposal of subsidiaries (note 47(a))	(287,202)	(8,093)	–	75	–	–	(295,220)
At 31 December 2015	1,149,931	29,974	(48,897)	(168,510)	46,660	(399,961)	609,197
Credit to other comprehensive income	–	–	–	–	–	(5,743)	(5,743)
Acquisition of subsidiaries (note 46(b))	–	232,879	–	–	20,345	–	253,224
Charge (credit) to profit and loss	22,408	–	(4,379)	18,871	(6,651)	(130,845)	(100,596)
Disposal of subsidiaries (note 47(a) and (c))	(59,500)	–	(4,208)	–	–	77,678	13,970
At 31 December 2016	1,112,839	262,853	(57,484)	(149,639)	60,354	(458,871)	770,052

Note: Others mainly represent the deductible temporary difference arising from LAT provision and remeasurement of defined benefit obligations.

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25. Deferred Taxation (continued)

As at 31 December 2016, the Group had unutilised tax losses of RMB3,299,418,000 (2015: RMB3,065,202,000). A deferred tax asset has been recognised in respect of RMB598,556,000 (2015: RMB674,040,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,700,862,000 (2015: RMB2,391,162,000) due to the unpredictability of future profits streams.

As at 31 December 2016, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was RMB10,412,486,000 (2015: RMB7,582,886,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

26. Properties for Sale

	2016 RMB'000	2015 RMB'000
Completed properties for sale	5,585,600	5,393,480
Properties under development for sale	9,762,379	16,408,168
	15,347,979	21,801,648

As at 31 December 2016, certain of the Group's properties for sale with a carrying amount of RMB783,361,000 (2015: RMB1,960,608,000) were pledged to secure certain banking facilities granted to the Group.

During the year ended 31 December 2016, completed properties for sale with an aggregate carrying amount of RMB669,372,000 (2015: RMB169,807,000) were transferred to investment properties upon change in use as evidenced by signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to RMB478,005,000 (2015: RMB175,922,000) were recognised in the consolidated statement of profit or loss and other comprehensive income.

Included in the amount are properties under development for sale of RMB6,040,855,000 (2015: RMB8,608,294,000) in relation to property development projects that are expected to complete after one year from the end of the reporting period.

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27. Trade and Other Receivables

	Notes	2016 RMB'000	2015 RMB'000
Trade receivables	(a)	1,720,333	1,317,151
Other receivables	(b)	365,754	362,730
Loan receivables	(c)	338,708	–
Prepayments and other deposits		199,897	186,946
Prepayments to suppliers		212,178	165,829
Prepayments for construction work		1,209,992	1,029,565
Consideration receivables on disposal of subsidiaries (note 47(a))		25,500	761,000
Consideration receivables on disposal of partial interests in subsidiaries resulting in loss of control (note 47(c))		332,500	–
Amount due from Pixian Government	(d)	122,830	512,830
Amount due from Chengdu Government	(e)	5,061	419,274
Other tax prepayments	(f)	315,496	225,563
		4,848,249	4,980,888
Less: Amount shown under non-current assets		(244,038)	(376,841)
Amounts shown under current assets		4,604,211	4,604,047

Notes:

(a) Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and services fee is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property operation services has a designated credit limit.

Hotel operation and travel agency service income are in form of cash sales.

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27. Trade and Other Receivables (continued)

Notes: (continued)

(a) (continued)

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the date of delivery of the properties to the customers for property sale or the date of rendering of services at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
0 to 30 days	856,306	889,136
31 to 90 days	593,460	147,875
91 to 180 days	105,115	118,624
181 to 365 days	91,121	84,137
Over 1 year	74,331	77,379
	1,720,333	1,317,151

Trade receivables mainly represented receivables amounting to RMB1,025,932,000 (2015: RMB943,141,000) from sales of properties, RMB350,878,000 (2015: RMB226,115,000) from property operation services, and RMB343,523,000 (2015: RMB147,895,000) from other segments.

The trade receivables as at 31 December 2016 included the receivables from the property sales of RMB583,232,000 (2015: RMB469,365,000) whereby the banks have agreed to provide mortgage facilities to the property purchasers and the banks are in the process of releasing the funds to the Group.

For property investment and property operation services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

As at 31 December 2016, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB270,567,000 (2015: RMB280,140,000) which are past due for which the Group has not provided impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2016 RMB'000	2015 RMB'000
91 to 180 days	105,115	118,624
181 to 365 days	91,121	84,137
Over 1 year	74,331	77,379
	270,567	280,140

27. Trade and Other Receivables (continued)

Notes: (continued)

(a) (continued)

Movement in the allowance for doubtful debts in respect of trade and other receivables

	2016 RMB'000	2015 RMB'000
Balance at the beginning of the year	93,259	48,755
Impairment losses recognised	40,771	48,874
Impairment losses reversed	–	(4,370)
Amounts written off as uncollectible	(1,658)	–
Balance at the end of the year	132,372	93,259

At 31 December 2016, included in trade receivables, the carrying amounts of RMB54,089,000 (2015: nil) has been pledged as borrowings as disclosed in note 38.

(b) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation services segment.

(c) The loan receivables are as follows:

	Notes	2016 RMB'000	2015 RMB'000
Beijing Jiatewei Management Co., Ltd. 北京嘉特威管理有限公司 ("Jiatewei")	(i)	111,458	–
Xi'an Dilian Real Estate Co., Ltd. 西安地聯置業有限責任公司 ("Xi'an Dilian")	(ii)	150,000	–
Shenzhen Qianxun Technology Co., Ltd. 深圳市乾訊科技有限公司 ("Shenzhen Qianxun")	(iii)	67,500	–
Others		9,750	–
		338,708	–

(i) In January 2016, the Group entered into a loan agreement with Jiatewei, a company controlled by a joint venture of the Group regarding the provision of fund amounting to RMB100,000,000 to Jiatewei, with maturity date of 20 January 2018. The fund advanced to Jiatewei carries interest at 12.5% per annum and is secured by 47.5% equity interests in an entity held by Jiatewei and guaranteed by Mr. Cui Tong 崔桐, who is the shareholder of Jiatewei. As at 31 December 2016, the fund advanced to Jiatewei of RMB100,000,000 and interest receivables of RMB11,458,000 are included in other receivables and classified as non-current assets in the consolidated financial statements.

(ii) In December 2016, the Group entered into a loan agreement with Xi'an Dilian, a company controlled by Ms. Cui Ronghua 崔榮華, a non-controlling shareholder of a subsidiary of the Group, regarding the provision of fund amounting to RMB150,000,000 to Xi'an Dilian, with maturity date in May 2017. The fund advanced to Xi'an Dilian carries interest at 12% per annum and is secured by 100% equity interests of Xi'an Dilian and 100% equity interests of two unlisted companies, whose ultimate controlling shareholder is Ms. Cui Ronghua 崔榮華.

(iii) In December 2016, the Group entered into a loan agreement with Shenzhen Qianxun, which provides repair and maintenance services to the residential communities through the Group's online platform, regarding the provision of fund amounting to RMB70,500,000 to Shenzhen Qianxun with maturity date in June 2017. The fund advanced to Shenzhen Qianxun carries interest at 12% per annum is unsecured and repayable by instalments. As at 31 December 2016, the fund advanced to Shenzhen Qianxun is RMB67,500,000. At the date these consolidated financial statements are authorised for issuance, RMB25,000,000 has been subsequently settled.

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27. Trade and Other Receivables (continued)

Notes: (continued)

(d) In September 2009, the Group entered into an agreement ("Agreement 1") with Pixian Government relating to the joint development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province ("Land Development Project"). Under the Agreement 1, the Group is responsible for preparing overall plans and detailed designs of the culture park as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work, arrange public auction and pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 1.

During the year ended 31 December 2013, the Group entered into an agreement ("Agreement 2") with Pixian Government relating to the cancellation of the Agreement 1 and revision of the terms of the Land Development Project. Under the Agreement 2, the Group is responsible for provision of funds to Pixian Government and management of the Land Development Project to Pixian Government while the Pixian Government is required to repay finance cost at Benchmark Rate, investment income at 12% per annum and project management fee at 3% per annum based on the accumulated cost incurred by the Group as stipulated in the formula set out in the Agreement 2.

During the year ended 31 December 2016, the principal and investment income amounting to RMB254,011,000 and RMB135,989,000, respectively, were settled. As at 31 December 2016, the outstanding principal amounting to RMB122,830,000 is required to be settled upon disposal of land by Pixian Government which is classified as other receivables (non-current assets).

(e) The balance represented the amount due from the People's Government of Chengdu ("Chengdu Government") amounting to RMB5,061,000 (2015: RMB419,274,000) in relation to the land development project of the Wu Gui Qiao Town located in Jin Jiang Area, Chengdu, Sichuan Province.

(f) As at 31 December 2016, the balance mainly represented business tax and value-added tax amounting to RMB301,988,000 (2015: RMB218,691,000) in accordance with relevant PRC tax rules in respect of its pre-sale of property development projects which has been prepaid and included in other tax prepayments.

28. Amounts Due from Customers for Contract Works

	2016 RMB'000	2015 RMB'000
Contract costs incurred plus recognised profits less recognised losses	226,937	368,733
Less: Progress billings	(170,056)	(296,937)
	56,881	71,796
Analysed for reporting purposes as:		
Amounts due from customers for contract works	73,627	88,937
Amounts due to customers for contract works	(16,746)	(17,141)
	56,881	71,796

Retentions held by customers for contract works for installation contracts was included in trade receivables as at 31 December 2016 and 2015. No significant advance was received from customers prior to commencement of contract works as at 31 December 2016 and 2015.

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29. Amounts Due from Non-Controlling Shareholders of the Subsidiaries

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

30. Amounts Due from Joint Ventures

	Notes	2016 RMB'000	2015 RMB'000
Amounts due from:			
Novena	(a)	354,406	180,258
Shenzhen Wanxiang	(b)	1,369	–
		355,775	180,258

Notes:

(a) The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

(b) The balance is trade in nature, unsecured, interest-free and granted with one year credit term from the issue date of invoice. The aging of the balance, based on date of invoice, is within 180 days and is not past due.

31. Amounts Due from Related Parties

	Notes	2016 RMB'000	2015 RMB'000
Amounts due from:			
Shenzhen Cube Architecture Designing Consultants Co., Ltd. 深圳市立方建築設計顧問有限公司	(a)	–	1,124
Shenzhen Color Pay Network Technology Co., Ltd. ("Shenzhen Color Pay") 深圳市彩付寶網路技術有限公司	(b)	201,979	183,658
Wanxiangmei Property Management Co., Ltd. ("Wanxiangmei") 萬象美物業管理有限公司	(c)	31,747	–
		233,726	184,782

Notes:

(a) One of the shareholders of Cube Architecture is a company controlled by Ms. Zeng Jie, Baby, who is the controlling shareholder and director of the Company. Cube Architecture provided design service for certain property projects of the Group.

(b) Mr. Pan Jun, a director and the chief executive officer of the Company, is the controlling shareholder of Shenzhen Colour Pay. The balance is non-trade in nature, unsecured, interest-free and repayable on demand.

(c) Wanxiangmei is a subsidiary of Xingfu Wanxiang, which is a joint venture of the Group. The balance is trade in nature, unsecured, interest-free and repayable within one year. The aging of the receivable, based on date of invoice, is within 180 days and is not past due.

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32. Financial Assets Designated as at FVTPL

Financial assets designated at FVTPL of RMB127,275,000 (2015: RMB19,200,000) included a) money market funds investment issued by a reputable securities corporation and b) debt investments through an online platform owned by Shenzhen Colour Pay. The return and principal of the investments were not guaranteed by the securities corporation. The value of the market funds investment varies by reference to the performance of the underlying investments mainly comprising debt investments in the PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits. The value of the debt investments varies by reference to the performance of the underlying investments mainly comprising corporate bonds and personal debts in the PRC.

33. Restricted/Pledged Bank Deposits/Bank Balances and Cash

The restricted/pledged bank deposits amounting to RMB1,152,544,000 (2015: RMB510,832,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount of RMB346,052,000 (2015: RMB137,209,000) are proceeded from presale of properties with the restriction of use for settlement of construction costs for relevant property projects. A term deposits amounting to RMB499,228,000 (2015: RMB688,441,000) were pledged to banks to secure banking facilities granted to the Group.

The Group's restricted/pledged bank deposits and bank balances carry variable interest rates ranging from 0.28% to 3.70% (2015: 0.30% to 3.10%) and from 0.01% to 2.75% (2015: 0.01% to 2.80%), respectively.

As at 31 December 2016, bank balances of the relevant group entities denominated in foreign currencies as below:

	2016 RMB'000	2015 RMB'000
United States Dollars ("USD")	1,322,541	24,247
Hong Kong Dollars ("HKD")	859,422	84,189
Taiwan Dollars ("TWD")	30,646	–
Singapore Dollars ("SGD")	3,167	4,818
Macao Pataca ("MOP")	1,962	–
Japanese Yen ("JPY")	1,376	1,434

34. Trade and Other Payables

	Notes	2016 RMB'000	2015 RMB'000
Trade payables		2,487,201	4,530,755
Deposit received	(a)	537,172	587,197
Other payables	(b)	612,175	901,313
Other tax payables		323,933	188,376
Accrued staff costs		254,203	215,566
Consideration payables for acquisition of subsidiaries (note 46(a) and (b))		169,383	138,127
Accruals		53,813	58,360
Retention payables		7,128	7,234
		4,445,008	6,626,928

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials ranged from six months to one year.

The following is an aged analysis of the Group's trade payables and retention payables presented based on the invoice date at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
0 to 60 days	1,194,063	2,012,493
61 to 180 days	416,973	771,978
181 to 365 days	458,649	1,088,540
1–2 years	324,000	575,877
2–3 years	96,064	85,096
Over 3 years	4,580	4,005
	2,494,329	4,537,989

Notes:

(a) The balance of deposits received amounting to RMB537,172,000 (2015: RMB517,197,000) mainly represented the earnest money received from potential property buyers.

(b) The balance of other payables mainly included receipt on behalf of residents amounting to RMB220,670,000 (2015: RMB157,581,000) and advances for settlement of property services fees amounting to RMB133,679,000 (2015: RMB72,844,000).

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35. Amount Due to a Non-Controlling Shareholder of the Company

During the year ended 31 December 2014, the Group acquired Huizhou TCL Property Development Company Limited 惠州TCL房地產開發有限公司 ("Huizhou TCL Corporation") from TCL Corporation and two other independent third parties at a consideration of RMB1,905,053,000. The consideration of RMB939,525,000 has been settled by the issuance of 863,600,000 ordinary shares of the Company to TCL Corporation, and the remaining consideration of RMB965,528,000 is interest-bearing at 10.58% per annum and will be payable within 3 years by three installments. The unpaid consideration payable of RMB310,438,000 as at 31 December 2016 has been fully settled subsequently on 6 January 2017.

The movement of consideration payables to the non-controlling shareholder of the Company is as follows:

	RMB'000
At 1 January 2015	1,106,627
Interest expenses	48,581
Repayment	(435,288)
At 1 January 2016	719,920
Interest expenses	17,996
Repayment	(427,478)
At 31 December 2016	310,438

36. Amounts Due to Joint Ventures

	2016 RMB'000	2015 RMB'000
Amounts due to:		
Nanjing Zhongchu	284,157	1,023,916
Wuhan Yituobang	10,000	10,000
	294,157	1,033,916

As at 31 December 2016, the balances are non-trade in nature, unsecured, interest-free and repayable on demand.

37. Amounts Due to Associates

	2016 RMB'000	2015 RMB'000
Amounts due to:		
Shenzhen Haohanying	489,190	–
Yuezhong	6,130	–
Fantasia Pension	1,434	–
Beijing Huawanli	564,584	–
	1,061,338	–

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

38. Borrowings

	Notes	2016 RMB'000	2015 RMB'000
Bank loans		2,826,679	3,164,412
Other loans	(a)	540,787	800,000
		3,367,466	3,964,412
Secured	(b)	3,268,856	3,914,412
Unsecured		98,610	50,000
		3,367,466	3,964,412
Carrying amount repayable:			
Within one year		929,458	1,407,598
More than one year, but not exceeding two years		1,559,468	1,225,488
More than two years, but not exceeding five years		776,035	1,242,871
More than five years		102,505	88,455
Total borrowings		3,367,466	3,964,412
Less: Amounts due within one year shown under current liabilities		(929,458)	(1,407,598)
Borrowings due after one year shown under non-current liabilities		2,438,008	2,556,814

Notes:

(a) Other loans amounting to RMB300,000,000 (2015: RMB800,000,000) represented loans provided by certain trust companies, which is secured by entire entity interest of a subsidiary of the Company and carried interest rate of 9.3% (2015: 12.0%) per annum. The loan balance as at 31 December 2016 will be fully repaid within 2018.

Other loans amounting to RMB31,500,000 (2015: nil) represented loans provided by a commercial factoring company, which is secured by trade receivables and carried interest rate ranging from 8.0% to 8.5% per annum. The loan balance as at 31 December 2016 will be fully repaid within 2017.

Other loans amounting to RMB201,027,000 (2015: nil) is secured by a hotel building and carried interest of 8.4% per annum. The loan balance as at 31 December 2016 will be fully repaid within 2019.

The remaining balance of other loans amounting to RMB8,260,000 (2015: nil) carrying interest rate of 8.0% is unsecured and will be fully repaid within 2022.

(b) As at 31 December 2016, certain directors of the Company provided joint guarantees to the banks and trust companies to secure the Group's bank borrowings amounting to RMB492,982,500 (2015: RMB247,000,000) in aggregate.

The amounts due above are based on scheduled repayment dates set out in the loan agreements. As at 31 December 2016, all borrowings are denominated in RMB except that secured borrowings amounting to RMB157,721,000 (2015: RMB332,708,000) and RMB50,142,000 (2015: RMB39,530,000) are denominated in USD and JPY, respectively.

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38. Borrowings (continued)

The exposure of the Group's borrowings is as following:

	2016 RMB'000	2015 RMB'000
Fixed-rate borrowings	1,517,601	869,702
Variable-rate borrowings	1,849,865	3,094,710
	3,367,466	3,964,412

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	2016	2015
Effective interest rate:		
Fixed-rate borrowings	3.45% to 10.5% per annum	7.4% to 12.0% per annum
Variable-rate borrowings		
London Inter Bank Offered Rate ("LIBOR")	+2.0% per annum	+2.0% per annum
Benchmark Lending Rate of the People's Bank of China ("Benchmark Rate")	–3.0% to +4.3% per annum	–0.1% to +3.6% per annum
Benchmark deposit rate of the People's Bank of China	+1.8% per annum	+1.8% per annum
Interbank offered benchmark rate	+1.8% per annum	–

39. Obligations Under Finance Leases

It is the Group's policy to lease certain of its transportation equipment under finance leases. The average lease term is 5 years (2015: 6 years) for the transportation equipment. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging 4.2% (2015: 4.2%) per annum for the transportation equipment.

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39. Obligations Under Finance Leases (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Amounts payable under finance leases				
Within one year	27,780	26,922	23,610	22,101
More than one year but not more than two years	26,799	26,004	22,025	21,691
More than two years but not more than five years	68,730	72,502	66,513	66,713
More than five years	–	16,920	–	16,575
	123,309	142,348	112,148	127,080
Less: future finance charge	(11,161)	(15,268)	–	–
Present value of lease obligations	112,148	127,080	112,148	127,080
Less: Amount due for settlement within one year shown under current liabilities			(23,610)	(22,101)
Amount due for settlement after one year shown under non-current liabilities			88,538	104,979

Finance lease obligation of the transportation equipment are denominated in USD, which is the foreign currency of the relevant group entities. Finance lease obligations of the group are secured by the leased assets.

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40. Senior Notes and Bonds

	Notes	2016 RMB'000	2015 RMB'000
2012 senior notes due 2017	(a)	1,575,183	1,634,145
2013 January senior notes due 2020	(b)	1,796,660	1,644,646
2013 May senior notes due 2016	(c)	–	1,004,105
2014 senior notes due 2019	(d)	2,013,563	1,982,577
2015 May senior notes due 2018	(e)	1,383,274	1,258,302
2015 domestic corporate bonds due 2020	(f)	2,016,535	2,011,477
2016 first domestic corporate bonds due 2020	(g)	1,093,627	–
2016 second domestic corporate bonds due 2019	(h)	402,585	–
2016 third domestic corporate bonds due 2019	(i)	3,025,026	–
2016 May senior notes due 2019	(j)	1,586,433	–
2016 October senior notes due 2021	(k)	3,486,739	–
		18,379,625	9,535,252
Carrying amounts repayable:			
Within one year		1,575,183	1,004,105
More than one year, but not exceeding two years		1,383,274	1,634,145
More than two years, but not exceeding five years		15,421,168	6,897,002
		18,379,625	9,535,252
Less: Amounts due within one year shown under current liabilities		(1,575,183)	(1,004,105)
Amounts due after one year shown under non-current liabilities		16,804,442	8,531,147

Notes:

(a) 2012 senior notes due 2017

On 27 September 2012, the Company issued senior notes in an aggregate principal amount of US$250,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.5% of the principal amount of the senior notes. The senior notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX"). The senior notes carry interest of 13.8% per annum and interest is payable semi-annually on 27 March and 27 September in arrears. The notes will mature on 27 September 2017, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 20 September 2012 ("Applicable Premium 1") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 1 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 27 September 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

40. Senior Notes and Bonds (continued)

Notes: (continued)

(a) 2012 senior notes due 2017 (continued)

At any time and from time to time prior to 27 September 2015, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 113.8% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 14.9% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2015 and 2016.

During the year ended 31 December 2016, the Company repurchased the 2012 senior notes due 2017 amounted to RMB210,233,000 at a price of RMB229,044,000, loss on repurchase of 2012 senior notes of RMB18,811,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

(b) 2013 January senior notes due 2020

On 22 January 2013, the Company issued guaranteed senior notes in an aggregate principal amount of US$250,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.75% per annum and interest is payable semi-annually on 22 January and 22 July in arrears. The senior notes will mature on 22 January 2020, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 22 January 2013 ("Applicable Premium 2") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 2 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 22 January 2020 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time on or after 22 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 100% percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 22 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Period	**Redemption price**
22 January 2017–21 January 2018	105.3750%
22 January 2018–21 January 2019	102.6875%
22 January 2019 and thereafter	100.0000%

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40. **Senior Notes and Bonds** (continued)

Notes: (continued)

(b) 2013 January senior notes due 2020 (continued)

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 14.6% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2015 and 2016.

(c) 2013 May senior notes due 2016

On 27 May 2013, the Company issued guaranteed senior notes in an aggregate principal amount of RMB1,000,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 7.875% per annum and interest is payable semi-annually on 27 November and 27 May in arrears. The senior notes matured and repaid on 27 May 2016.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2013 (“Applicable Premium 3”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 3 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 27 May 2016 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 27 May 2016, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 107.875% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 11.3% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and 31 December 2015.

40. Senior Notes and Bonds (continued)

Notes: (continued)

(d) 2014 senior notes due 2019

On 23 January 2014, the Company issued guaranteed senior notes in an aggregate principal amount of USD300,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.625% per annum and interest is payable semi-annually on 23 January and 23 July in arrears. The senior notes will mature on 23 January 2019, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time prior to 23 January 2017, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 23 January 2014 (“Applicable Premium 4”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 4 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 23 January 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time on or after 23 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12-month period beginning on 23 January of the years indicated below.

At any time and from time to time prior to 23 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Period	**Redemption price**
23 January 2017–22 January 2018	105.31250%
23 January 2018 and thereafter	102.65625%

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 11.1% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2015 and 2016.

During the year ended 31 December 2016, the Company repurchased the 2014 senior notes due 2019 amounted to RMB148,306,000 at a price of RMB159,183,000, loss on repurchase of 2014 senior notes of RMB10,877,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

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40. Senior Notes and Bonds (continued)

Notes: (continued)

(e) 2015 May senior notes due 2018

On 27 May 2015, the Company issued guaranteed senior notes in an aggregate principal amount of USD200,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.26% of the principal amount. The senior notes are listed on the SGX and carry interest of 11.50% per annum and interest is payable semi-annually on 1 June and 1 December in arrears. The senior notes will mature on 1 June 2018, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time prior to 1 June 2018, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2015 (“Applicable Premium 5”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 5 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 1 June 2018 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 1 June 2018, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 111.50% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 12.6% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2015 and 2016.

(f) 2015 domestic corporate bonds due 2020

On 18 September 2015, a wholly-owned subsidiary of the Company, Fantasia Group (China) Co., Ltd. 花樣年集團(中國)有限公司 (“Fantasia Group China”) issued domestic corporate bonds of RMB2,000,000,000 (“2015 Domestic Corporate Bonds”), which are listed on the Shanghai Stock Exchange (“SSE”). 2015 Domestic Corporate Bonds are unsecured, carry interest at rate of 6.95% per annum and interest is payable annually, commencing on 18 September 2015. 2015 Domestic Corporate Bonds will mature on 16 September 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2015 Domestic Corporate Bonds may at their options (“Put Option 1”) to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 1. The effective interest rate of the liability component is approximately 7.3% per annum. Put Option 1 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

40. Senior Notes and Bonds (continued)

Notes: (continued)

(g) 2016 first domestic corporate bonds due 2020

On 4 January 2016, a wholly-owned subsidiary of the Company, Fantasia Group China issued public domestic corporate bonds of RMB1,100,000,000 ("2016 First Domestic Corporate Bonds"), which are listed on the Shenzhen Stock Exchange ("SZSE"). The corporate bonds are unsecured, carry interest at rate of 7.29% per annum and interest is payable annually, commencing on 30 December 2015. 2016 First Domestic Corporate Bonds will mature on 31 December 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2016 First domestic corporate bonds may at their options ("Put Options 2") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 2. The effective interest rate of the liability component is approximately 7.46% per annum. Put Options 2 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

(h) 2016 second domestic corporate bonds due 2019

On 29 January 2016, Shenzhen Colour Life Services Group Co., Limited 深圳市彩生活服務集團有限公司 ("Shenzhen Colour Life"), a non-wholly owned subsidiary of the Company, issued first tranche of non-public domestic corporate bonds ("2016 Second Domestic Corporate Bonds") of RMB100,000,000, which are secured, carry interest at rate of 6.7% per annum and interest is payable annually, commencing on 29 January 2016 and will mature on 28 January 2019. The effective interest rate is 7.91% per annum.

On 9 September 2016, Shenzhen Colour Life issued the second tranche of 2016 Second Domestic Corporate Bonds of RMB300,000,000, which are secured, carry interest at rate of 7.00% per annum and interest is payable annually, commencing on 9 September 2016 and will mature on 8 September 2019 respectively. The effective interest rate is 8.1% per annum.

(i) 2016 third domestic corporate bonds due 2019

During the year ended 31 December 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB3,000,000,000 ("Third Domestic Corporate Bonds") in aggregation by five tranches detailed as below:

Tranche	Issue date	Maturity date	Interest rate per annum	Principal RMB'000
First tranche	19 May 2016	19 May 2019	7.5%	500,000
Second tranche	15 July 2016	15 July 2019	6.8%	331,000
Third tranche	17 August 2016	17 August 2019	7.2%	1,300,000
Fourth tranche	23 August 2016	23 August 2019	7.3%	300,000
Fifth tranche	7 September 2016	7 September 2019	6.6%	569,000

The Third Domestic Corporate Bonds are unsecured and interest is payable annually. The five tranches of domestic corporate bonds will mature in 2019, unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the second year subsequent to the inception dates, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2016 Third Domestic Corporate Bonds may at their options ("Put Options 3") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 3. The effective interest rates of the liability component are approximately 8.22%, 7.52%, 8.05%, 8.29% and 7.97% per annum. Put Options 3 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

40. Senior Notes and Bonds (continued)

Notes: (continued)

(j) 2016 May senior notes due 2019

On 4 May 2016, the Company issued guaranteed senior notes in an aggregate principal amount of RMB600,000,000 ("2016 May Original Senior Notes"). The 2016 May Original Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2016 May Original Senior Notes are listed on the SGX and carry interest of 9.5% per annum and interest is payable semi-annually on 4 May and 4 November in arrears. The senior notes will mature on 4 May 2019, unless redeemed earlier.

On 29 August 2016, the Company issued additional guaranteed senior notes in the aggregate nominal value of RMB1,000,000,000 ("2016 May Additional Senior Notes"). The 2016 May Additional Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 101.625% of the principal amount. The 2016 May Additional Senior Notes are listed on SGX and carry interest of 9.5% per annum and interest is payable semi-annually on 29 August and 28 February in arrears, unless redeemed earlier. 2016 May Additional Senior Notes will be consolidated and form a single series with the 2016 May Original Senior Notes with the same terms and conditions of the 2016 May Original Senior Notes, except for the issue date and the issue price.

The senior notes may be redeemed in the following circumstances:

At any time prior to 4 May 2019, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 26 April 2016 ("Applicable Premium 6") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 6 is the excess of the amount equivalent to the principal amount and related interest up to 4 May 2019 discounted at 2% over the principal amount on such redemption date.

At any time and from time to time prior to 4 May 2019, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company at a redemption price of 109.50% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 10.66% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and 31 December 2016.

(k) 2016 October senior notes due 2021

On 4 October 2016, the Company issued guaranteed senior notes in an aggregate principal amount of US$400,000,000 ("2016 October Original Senior Notes"). The 2016 October Original Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2016 May Original Senior Notes are listed on the SGX and carry interest of 7.375% per annum and interest is payable semi-annually on 4 October and 4 April in arrears. The senior notes will mature on 4 October 2021, unless redeemed earlier.

On 29 December 2016, the Company issued additional guaranteed senior notes in the aggregate nominal value of US$100,000,000 ("2016 October Additional Senior Notes"). The 2016 October Additional Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.884% of the principal amount. The 2016 May Additional Senior Notes are listed on SGX and carry interest of 7.375% per annum and interest is payable semi-annually on 29 December and 29 May in arrears, unless redeemed earlier. 2016 October Additional Senior Notes will be consolidated and form a single series with the 2016 October Original Senior Notes with the same terms and conditions of the 2016 October Original Senior Notes, except for the issue date and the issue price.

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40. Senior Notes and Bonds (continued)

Notes: (continued)

(k) 2016 October senior notes due 2021(continued)
The senior notes may be redeemed in the following circumstances:

At any time and from time to time on or after 4 October 2019, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12 month period beginning on 4 October of the years indicated below.

Period	**Redemption price**
4 October 2019–3 October 2020	103.688%
4 October 2020 and thereafter	101.844%

At any time prior to 4 October 2019, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 28 September 2016 ("Applicable Premium 7") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 7 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 4 October 2019 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 4 October 2019, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 107.375% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 7.70% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2015 and 31 December 2016.

The movements of the liability component in the senior notes and bonds during the year are set out below:

	2016 **RMB'000**	**2015** **RMB'000**
At 1 January	9,535,252	6,768,132
Net proceeds on the date of issuance of senior notes and bonds	9,304,790	3,181,694
Exchange loss	637,911	256,623
Interest expenses	1,364,974	887,481
Payment of interest	(1,104,763)	(762,752)
Repayment of senior notes	(1,000,000)	(795,926)
Partial repurchase 2012 senior notes due 2017 and 2014 senior notes due 2019	(358,539)	–
At 31 December	18,379,625	9,535,252

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41. Assets Backed Securities Issued

	2016 RMB'000	2015 RMB'000
Assets backed securities issued	275,084	–
Carrying amounts repayable:		
within one year	37,642	–
More than one year, but not exceeding two years	52,236	–
More than two years, but not exceeding five years	185,206	–
	275,084	
Less: Amounts due within one year shown under current liabilities	(37,642)	–
Amounts due after one year included in non-current liabilities	237,442	–

In August 2016, Shenzhen Colour Life issued assets backed securities ("ABS") under securitisation arrangements collateralised by the future cash inflows relating to certain trade receivables for the payments of property management fee. The ABS were issued at a discount of 5% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interest are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates range from 6.9% to 8.3% per annum.

For certain portion of ABS amounting to RMB135,000,000, at the end of the third year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of ABS may at their options ("Put Option 4") to sell back the ABS to the Group in whole or in part at face value of their principal amount.

Put Option 4 is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability portion.

The movement of the liability component in the ABS during the year is set out below:

	RMB'000
At 1 January 2016	–
Net proceeds on the date of issuance of ABS	284,930
Interest expenses	6,863
Repayment of principal	(12,500)
Interest paid	(4,209)
At 31 December 2016	275,084

42. Defined Benefit Obligation

A wholly-owned subsidiary of the Company paid post-employment obligations to its eligible employees who had retired and would be retired in the further as at 31 December 2012 in the PRC in accordance with employee benefit scheme adopted by the subsidiary. These benefits were only applicable to the qualifying employees.

The plan exposes the Group to actuarial risks such as interest rate risk, salary increase risk, average salary expense risk and turnover rate risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. As such, a decrease in the bond interest rate will increase the plan liability.
Salary increase risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the salary of the plan participants will increase the plan liability.
Average salary expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average salary expense of plan participants. As such, an increase in the average salary expense of the plan participants will increase the plan liability.
Turnover rate risk	The present value of the defined benefit plan obligations is calculated by reference to the future turnover of plan participants. As such, a decrease in the turnover of the plan participants will increase the plan liability.

The actuarial valuation of the present value of the defined benefit obligations as at 31 December 2016 was carried out by an independent firm of actuaries, Aon Hewitt Consulting (Shanghai) Co., Ltd., a member of America Association of Actuaries. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2016	**Acquisition date**
Discount rate	3.75%	3.50%
Salary increase rate	5.00%	5.00%
Average salary expense trend rate	5.00%	5.00%
Turnover rate	4.00%	4.00%

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42. Defined Benefit Obligations (continued)

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	RMB'000
Service cost	1,590
Interest cost	2,146
Components of defined benefit costs recognised in profit or loss	3,736
Component of defined benefit costs recognised in other comprehensive income	22,974
Total	26,710

Service cost is included in the administrative expenses in profit or loss. The interest cost is included in the finance costs in profit or loss. The remeasurement of the net defined benefit obligations arising from changes in financial assumptions is included in other comprehensive income.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	RMB'000
At 1 January 2016	–
Acquisition of a subsidiary (note 46(b))	102,813
Service cost	1,590
Interest cost	2,146
Benefits paid	(2,571)
Actuarial losses arising from changes in financial assumptions	103,978
Component of defined benefit costs recognised in other comprehensive income	22,974
At 31 December 2016	126,952

Mortality is assumed to be the average life of expectancy of residents in the PRC and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

42. Defined Benefit Obligations (continued)

Significant actuarial assumptions made in determining defined benefit obligations are discount rate and salary increase rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other factors constant.

- If the discount rate on benefit obligations increase by 1%, the defined benefit obligations would decrease by RMB17,133,000 for the year ended 31 December 2016;
- If the discount rate on benefit obligations decrease by 1%, the defined benefit obligations would increase by RMB21,814,000 for the year ended 31 December 2016;
- If the salary increase rate increases by 1%, the defined benefit obligations would increase by RMB5,389,000 for the year ended 31 December 2016; and
- If the salary increase rate decreases by 1%, the defined benefit obligations would decrease by RMB4,724,000 for the year ended 31 December 2016.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis during the reporting period.

The average duration of the benefit obligations can be analysed as follows:

- Retired members: 9.8 years for the year ended 31 December 2016; and
- Current members: 21.1 years for the year ended 31 December 2016.

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43. Provisions

	2016 RMB'000	2015 RMB'000
Analysed for reporting purposes as:		
Non-current liabilities	–	33,255
Current liabilities	37,154	–
	37,154	33,255

	Properties provision RMB'000 (note a)	Warranty provision RMB'000 (note b)	Total RMB'000
At 1 January 2016	33,255	–	33,255
Acquisition of subsidiary (note 46(b))	–	14,873	14,873
Additional of provision in the year	–	13,140	13,140
Utilisation of provision	–	(11,350)	(11,350)
Cost adjustment	(12,764)	–	(12,764)
At 31 December 2016	20,491	16,663	37,154

Notes:

(a) During the year ended 31 December 2013, the Group acquired Shenzhen Tengxing Hongda Investment Development Co., Ltd. 深圳騰星宏達投資發展有限公司 ("Shenzhen Tengxing") from an independent third party. Pursuant to the sales and purchase agreement, the Group agreed with the former equity holder of Shenzhen Tengxing that after the property project construction completed by the Group, the Group is required to transfer 5% of the completed property of this property project to the former equity holder of Shenzhen Tengxing.

The potential amount of the costs (including development expenditure and other attributable expenses of the construction of properties) to be incurred to complete for this 5% completed property to be delivered to the former equity holder of Shenzhen Tengxing is accounted for as a provision. During the year ended 31 December 2016, the property project construction was completed and the completed properties are expected to be transferred to Shenzhen Tengxing in 2017.

(b) The provision represented the warranty provision granted on fuel pumps, which is the management's best estimate of the Group's liability under 1 year warranty granted on fuel pumps, based on prior experience and industry averages for defective products.

For the year ended 31 December 2016

44. Share Capital

	Number of shares	Amount HK	Equivalent to RMB'000
Ordinary shares of HK0.1 each			
Authorised:			
At 1 January 2015, 31 December 2015, and 2016	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2015	5,757,458,024	575,745,802	497,485
Issue of shares upon exercise of share option	3,721,400	372,140	312
At 31 December 2015	5,761,179,424	576,117,942	497,797
Issue of shares upon exercise of share option	617,640	61,764	51
At 31 December 2016	5,761,797,064	576,179,706	497,848

45. Perpetual Capital Instrument

In April 2014, a wholly owned subsidiary (the "Subsidiary") of the Company issued a perpetual capital instrument (the "Perpetual Capital Instrument") with the aggregate principal amount of RMB700,000,000 by entering into a Perpetual Capital Instrument Agreement (the "Agreement") with an independent third party. The Perpetual Capital Instrument was issued for development of the existing property development project in the PRC.

Pursuant to the Agreement, the Perpetual Capital Instrument has no fixed maturity date and redeemable at the Subsidiary's option at its principal amount together with accrued, unpaid or deferred distribution payments. The distribution rate for the instrument is 9% per annum for the first and second year, then increase to 24% per annum for the third year and years after. If no distribution is paid in that year, the distribution rate will be adjusted by a 100% premium in the next year and so on. The distribution rate is capped at 24% per annum. The Perpetual Capital Instrument is jointly guaranteed by two subsidiaries of the Company, Mr. Pan Jun and Ms. Zeng Jie, Baby, the directors of the Company, and secured by pledges of the shares of a subsidiary of the Company and a land use right owned by a wholly owned subsidiary of the Company.

The payments of distribution can be deferred at the discretion of the Subsidiary. While any distributions are unpaid or deferred, the Company and the Subsidiary cannot declare or pay dividends to the shareholders of the Company. Therefore, the Perpetual Capital Instrument is classified as equity instrument and presented as a part of equity in the consolidated statement of financial position.

During the year ended 31 December 2016, the Group had fully repurchased the Perpetual Capital Instrument with nominal amount of RMB700,000,000 and paid related dividend of RMB48,050,000.

For the year ended 31 December 2016

46. Acquisition of Subsidiaries

(a) **Acquisition of assets and liabilities through acquisition of subsidiaries**

For the year ended December 2016

(i) In July 2016, the Group acquired a parcel of land situated in Sichuan, the PRC, through the acquisition of 91% equity interest in Sichuan Hanfeng Real Estate Co., Ltd. 四川瀚峰置業有限公司, at a cash consideration of RMB727,900,000.

(ii) In November 2016, the Group acquired properties under development for sale situated in Shanghai, the PRC, through the acquisition of 100% equity interest in Shanghai Yueshang Investment Co., Ltd. 上海粵商投資有限公司, at a cash consideration of RMB151,610,000.

The above transactions are accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transaction are summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	35
Prepaid lease payments	360,641
Premium on prepaid lease payments	403,861
Properties under development for sale	280,100
Other receivables	35,864
Bank balances and cash	8
Other payables	(168,951)
	911,558
Total consideration satisfied by:	
Cash	755,610
Consideration payables due within one year included	123,900
Non-controlling interests	32,048
	911,558
Net cash outflow arising on acquisitions	
Cash consideration paid during the year	755,610
Bank balances and cash acquired	(8)
	755,602

46. Acquisition of Subsidiaries (continued)

(a) **Acquisition of assets and liabilities through acquisition of subsidiaries** (continued)

For the year ended December 2015

(i) On 31 March 2014, the Group disposed of 51% equity interests in Ningbo Century Huafeng Property Company Limited 寧波世紀華豐房產有限公司 ("Huafeng"), an indirectly owned subsidiary of the Company, to an independent third party at a cash consideration of RMB206,410,000, which should be settled before 31 March 2015, resulting in loss of control upon completion of the transaction. Due to the financial difficulty of the buyer, the consideration could not be settled. On 31 March 2015, the Group and the buyer entered into a cancellation agreement pursuant to which the transaction for the disposal of 51% equity interest in Huafeng was cancelled and the consideration receivable of RMB206,410,000 due from the buyer was waived. The Group obtained the control of Huafeng subsequent to the cancellation of the agreement. Huafeng is principally engaged in property development in the PRC.

(ii) On 11 December 2015, the Group acquired a completed investment property situated in Shanghai, the PRC through the acquisition of 100% equity interest in Haiyat Investment Co., Ltd. 海逸投資有限公司 ("Haiyat") at a cash consideration of RMB87,500,000.

The above transactions were accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transaction were summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	1,531
Investment properties	124,327
Properties for sale	1,138,188
Trade and other receivables	42,546
Amounts due from certain subsidiaries of the Company	106,191
Tax recoverable	27,354
Bank balances and cash	41,481
Trade and other payables	(13,154)
Deposits received for sale of properties	(547,390)
Borrowings – due after one year	(421,095)
Deferred tax liabilities	(13,456)
	486,523

For the year ended 31 December 2016

46. Acquisition of Subsidiaries (continued)

(a) **Acquisition of assets and liabilities through acquisition of subsidiaries** (continued)
For the year ended December 2015 (continued)

	RMB'000
Total consideration satisfied by:	
Cash consideration for acquisition of Haiyat	87,500
Consideration receivable related to disposal of Huafeng to be waived upon termination	206,410
49% equity interest in Huafeng previously classified as interest in a joint venture	192,613
	486,523
Net cash outflow arising on acquisitions	
Cash consideration paid during the year	87,500
Bank balances and cash acquired	(41,481)
	46,019

(b) **Acquisition of businesses**
For the year ended 31 December 2016
The Group acquired following companies at a total consideration of RMB729,368,000. At the time of acquisition, the directors of the Company are of the view that the acquisition constitutes businesses acquisition. The transactions have been accounted for using the purchase method accordingly.

The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property development, property management and other operations.

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
美國ASIMCO第三投資公司 American ASIMCO Investments III Ltd.	438,825	June	100%	Manufacturing and sale of fuel pumps
合浦縣南珠物業服務有限責任公司 Hepu Nanzhu Property Service Co., Ltd.	8,000	January	80%	Provision of property operation services
襄陽美溢達物業服務有限公司 Xiangyang Meiyida Property Service Co., Ltd.	3,600	January	80%	Provision of property operation services
包頭市眾聯行物業服務有限公司 Baotou Zhonglianhang Property Service Co., Ltd.	3,580	January	80%	Provision of property operation services

For the year ended 31 December 2016

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)
For the year ended 31 December 2016 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
婁底市和園物業服務有限公司 Loudi Heyuan Property Service Co., Ltd.	300	January	51%	Provision of property operation services
寧夏藍山之家物業服務有限公司 Ningxia Nanshan Zhijia Property Service Co., Ltd.	– (note)	February	80%	Provision of property operation services
連雲港市鴻鑫物業管理有限公司 Lianyungang Hongxin Property Management Co., Ltd.	3,000	April	70%	Provision of property operation services
長沙美景物業管理有限公司 Changsha Meijing Property Management Co., Ltd.	5,000	April	70%	Provision of property operation services
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.	81,749	June	87%	Provision of property operation services
成都嘉迅物業管理有限公司 Chengdu Jiaxun Property Management Co., Ltd.	12,104	June	100%	Provision of property operation services
江蘇立德綠色建築系統集成有限公司 Jiangsu Leedeer Fabricated Green Building Co. Ltd.	30,000	July	60%	Provision of construction services
上海軒宇物業管理有限公司 Shanghai Xuanyu Property Management Co., Ltd.	2,530	August	80%	Provision of property operation services
常州九洲福安物業服務有限公司 Changzhou Jiuzhou Fuan Property Management Co., Ltd.	31,700	August	100%	Provision of property operation services
昆山中恒物業管理有限公司 Kunshan Zhongheng Property Management Co., Ltd	5,679	August	80%	Provision of property operation services

For the year ended 31 December 2016

46. Acquisition of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
常州源鑫物業服務有限公司 Changzhou Yuanxin Property Management Co., Ltd.	6,000	August	100%	Provision of property operation services
江蘇金陽物業管理有限責任公司 Jiangsu Jinyang Property Management Co., Ltd.	5,880	August	80%	Provision of property operation services
福州三澤物業管理有限公司 Fuzhou Sanze Property Management Co., Ltd.	– (note)	August	80%	Provision of property operation services
東莞市方圓物業管理有限公司 Dongguan Fangyuan Property Management Co., Ltd.	3,130	August	90%	Provision of property operation services
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	90,100	August	100%	Provision of property operation services
貴州深宏業物業服務有限公司 Guizhou Shenhongye Property Management Co., Ltd.	8,800	August	80%	Provision of property operation services
福州新三澤物業服務有限公司 Fuzhou Xinsanze Property Management Co., Ltd.	9,000	August	80%	Provision of property operation services
四川省西城物業經營管理有限公司 Sichuan Xicheng Property Operation Management Co., Ltd.	5,760	August	80%	Provision of property operation services
廣安市現代物業管理有限責任公司 Guangan Xiandai Property Management Co., Ltd.	1,920	August	80%	Provision of property operation services
內江金黃物業管理有限公司 Neijiang Jinhuang Property Management Co., Ltd.	2,000	August	80%	Provision of property operation services

46. Acquisition of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
貴州深宏運商業運營管理有限公司 Guizhou Shenhongyun Business Operation Management Co., Ltd.	– (note)	August	80%	Property management
贛州嘉聯運物業管理有限公司 Ganzhou Jialianyun Property Management Co., Ltd.	2,080	September	80%	Provision of property operation services
福建永嘉商業物業管理有限公司 Shanghai Xuanyu Property Management Co., Ltd.	1,200	October	60%	Provision of property operation services
南昌市友聯置業有限公司 Nanchang Union Real Estate Co. Ltd.	1,320	November	60%	Provision of property operation services
武漢美樂居置業有限公司 Wuhan Miller Real Estate Co., Ltd.	5,010	November	50.1%	Provision of property operation services

Note: The consideration was less than RMB1,000.

Total consideration transferred

	RMB'000
Cash	668,994
Deposits paid for acquisition of subsidiaries in prior years	14,891
Consideration payables due within one year included in trade and other payables	45,483
	729,368

For the year ended 31 December 2016

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)

For the year ended 31 December 2016 (continued)

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	RMB'000
Property, plant and equipment	285,750
Intangible assets	81,378
Prepaid lease payments	59,791
Premium on prepaid lease payments	1,231,740
Inventories	65,224
Trade and other receivables	420,473
Amounts due from non-controlling shareholders of the subsidiaries	41,949
Bank balances and cash	52,905
Trade and other payables	(490,967)
Amounts due to certain subsidiaries of the Company	(270,186)
Tax liabilities	(2,826)
Borrowings – due within one year	(48,053)
Defined benefit obligations	(102,813)
Provision	(14,873)
Deferred tax liabilities	(253,224)
	1,056,268

The trade and other receivables acquired with a fair value of RMB420,473,000 approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

Non-controlling interests

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to RMB506,101,000.

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)
For the year ended 31 December 2016 (continued)
Goodwill arising on acquisitions

	RMB'000
Consideration transferred	729,368
Non-controlling interests	506,101
Less: Fair value of net assets acquired	(1,056,268)
Goodwill arising on acquisitions (note 18)	179,201

At the dates of acquisitions in 2016, goodwill of RMB179,201,000 has been determined based on the acquirees' provisional fair value of net identifiable assets acquired, including property, plant and equipment and intangible assets. Goodwill arose on the acquisition of subsidiaries because these acquisitions included the benefit of expected synergies and the future profitability as at acquisition date.

Intangible assets of RMB81,378,000 in relation to the acquisition of subsidiaries under property management and other segments have been recognised by the Group.

Net cash outflow arising on acquisitions

	RMB'000
Cash consideration paid	(668,994)
Less: Bank balances and cash acquired	52,905
	(616,089)

For the year ended 31 December 2016

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)

For the year ended 31 December 2015

The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation.

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
蘇州悅華置合物業服務有限公司 Suzhou Yuihua Zhihe Property Service Co., Ltd.	30,890	January	85%	Provision of property operation services
蘇州易亞物業管理有限公司 Suzhou Yiya Property Management operation services Co., Ltd.	19,470	January	90%	Provision of property operation services
徐州市濱湖花園物業管理有限公司 Xuzhou Binhu Huayuan Property operation services Management Co., Ltd.	7,880	January	90%	Provision of property operation services
廣西南寧瀚新物業服務有限公司 Guangxi Nanning Hanxin Property Service Co., Ltd.	3,280	January	80%	Provision of property operation services
撫州鴻德物業有限公司 Fuzhou Hongde Property Co., Ltd.	2,880	January	90%	Provision of property operation services
長沙高盛物業管理有限公司 Changsha Gaosheng Property Management Co., Ltd.	2,280	January	80%	Provision of property operation services
鐵嶺世紀中天物業管理有限公司 Tieling Shiji Zhongtian Property Management Co., Ltd.	1,590	January	100%	Provision of property operation services
瀋陽天盛河畔物業管理有限公司 Shenyang Tiansheng Hepan Property Management Co., Ltd.	1,500	January	95%	Provision of property operation services
南昌名泰物業管理有限公司 Nanchang Mingtai Property Management Co., Ltd.	1,000	January	90%	Provision of property operation services
清遠市大管家物業管理有限公司 Qingyuan Daguanjia Property Management Co., Ltd.	900	January	80%	Provision of property operation services

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)

For the year ended 31 December 2015 (continued)

The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation. (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
陝西彩逸飛物業管理有限公司 Shanxi Caiyifei Property Management Co., Ltd.	500	January	100%	Provision of property operation services
陝西鑫昌物業管理有限公司 Shanxi Xinchang Property Management Co., Ltd.	– (note)	January	90%	Provision of property operation services
寧夏天雨子越物業服務有限公司 Ningxia Tianyuzi Property Service Co., Ltd.	– (note)	January	80%	Provision of property operation services
世紀物業管理有限公司 Shiji Property Management Co., Ltd.	1,187	February	85%	Provision of property operation services
鞍山市大德物業有限公司 Anshan Dade Property Management Co., Ltd.	1,580	March	80%	Provision of property operation services
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.	330,000	June	100%	Provision of property operation services
常州江南中鑫物業服務有限公司 Changzhou Jiangnan Zhongxin Property Service Co., Ltd.	57,060	June	80%	Provision of property operation services
蘇州萬寶物業管理有限公司 Suzhou Wanbao Property Management Co., Ltd.	37,330	June	70%	Provision of property operation services
揚州市恒久物業服務發展有限公司 Yangzhou Hengjiu Property Service Development Co., Ltd.	10,660	June	80%	Provision of property operation services
廈門市創優物業管理有限公司 Xiamen Chuangyou Property Management Co., Ltd.	10,040	June	70%	Provision of property operation services
河南瑞祥物業管理有限公司 Henan Ruixiang Property Management Co., Ltd.	6,160	June	80%	Provision of property operation services

For the year ended 31 December 2016

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)
For the year ended 31 December 2015 (continued)
The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation. (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
贛州錦通物業管理有限公司 Ganzhou Jintong Property Management Co., Ltd.	6,260	June	100%	Provision of property operation services
桂林市仁和物業服務有限公司 Guilin Renhe Property Service Co., Ltd.	4,190	June	70%	Provision of property operation services
四川蜀峰物業服務有限公司 Sichuan Shufeng Property Service Co., Ltd.	– (note)	July	80%	Provision of property operation services
葫蘆島市萬廈物業管理有限公司 Huludao Wanxia Property Management Co., Ltd.	3,680	July	80%	Provision of property operation services
杭州利軒物業管理有限公司 Hangzhou Lixuan Property Management Co., Ltd.	11,325	July	80%	Provision of property operation services
揚州市興達物業服務有限公司 Yangzhou Xingda Property Service Co., Ltd.	2,450	July	90%	Provision of property operation services
長沙祥旺物業管理有限公司 Changsha Xiangwang Property Management Co., Ltd.	500	July	100%	Provision of property operation services
廣西福來物業服務有限責任公司 Guangxi Fulai Property Service Co., Ltd.	47,800	July	80%	Provision of property operation services
西安榮鑫物業管理有限公司 Xi'an Rongxin Property Management Co., Ltd.	18,889	July	60%	Provision of property operation services
襄陽江山新苑物業服務有限責任公司 Xiangyang Jiangshan Xinyuan Property Service Co., Ltd.	1,661	July	80%	Provision of property operation services
清遠金力物業管理有限公司 Qingyuan Jinli Property Management Co., Ltd.	1,000	July	80%	Provision of property operation services
榆林市榮鑫物業管理有限公司 Yulin Rongxin Property Management Co., Ltd.	1,990	July	75%	Provision of property operation services

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)

For the year ended 31 December 2015 (continued)

The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation. (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
武漢凱樂豐垠物業管理有限公司 Wuhan Kaile Fengyin Property Management Co., Ltd.	3,080	July	70%	Provision of property operation services
荊州市楚陽物業管理有限公司 Jingzhou Chuyang Property Management Co., Ltd.	3,080	September	80%	Provision of property operation services
成都合力物業服務有限公司 Chengdu Heli Property Service Co., Ltd.	56,500	September	80%	Provision of property operation services
成都忠信英聯華物業管理顧問有限公司 Chengdu Zhongxin Yinglianhua Property Management Consultant Co., Ltd.	380	September	80%	Provision of property operation services
上海新貴盛物業管理有限公司 Shanghai Xinguisheng Property Management Co., Ltd.	11,880	September	90%	Provision of property operation services
河南聯盛物業服務有限公司 Henan Liansheng Property Service Co., Ltd.	9,280	December	80%	Provision of property operation services
無錫市盛泰物業管理有限公司 Wuxi Shengtai Property Management Co., Ltd.	5,580	December	80%	Provision of property operation services
上海通翼物業有限公司 Shanghai Tongyi Property Co., Ltd.	2,880	December	51%	Provision of property operation services
南昌幸福物業管理有限公司 Nanchang Xingfu Property Management Co., Ltd.	8,180	December	70%	Provision of property operation services
江西省君安物業管理有限公司 Jiangxi Junan Property Management Co., Ltd.	1,995	November	100%	Provision of property operation services
Morning Star	181,560	December	100%	Provision of travel agency services

Note: Consideration incurred less than RMB1,000.

For the year ended 31 December 2016

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)

For the year ended 31 December 2015 (continued)

Total consideration transferred

	RMB'000
Cash	703,815
Deposits paid for acquisition of subsidiaries in 2014	68,385
Consideration payables due within one year included in trade and other payables	138,127
	910,327

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisitions are as follows:

	RMB'000
Property, plant and equipment	99,141
Investment properties	15,367
Intangible assets	190,628
Deferred tax assets	13,791
Trade and other receivables	170,877
Amounts due from non-controlling shareholders of the subsidiaries	66,209
Amounts due from certain subsidiaries of the Company	21,216
Financial assets designated as at FVTPL	54,158
Bank balances and cash	174,795
Trade and other payables	(358,592)
Amounts due to non-controlling shareholders of the subsidiaries	(465)
Amounts due to certain subsidiaries of the Company	(49,055)
Tax liabilities	(10,680)
Deferred tax liabilities	(60,586)
Borrowings	(299)
	326,505

The trade and other receivables acquired with a fair value of RMB170,877,000 approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

46. Acquisition of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)

For the year ended 31 December 2015 (continued)

Non-controlling interests

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to RMB15,809,000.

Goodwill arising on acquisitions

	RMB'000
Consideration transferred	910,327
Non-controlling interests	15,809
Less: fair value of net assets acquired	(326,505)
Goodwill arising on acquisitions (note 18)	599,631

Goodwill arose on the acquisition of subsidiaries because these acquisitions included the benefit of expected synergies and the future profitability as at acquisition date.

Intangible assets of RMB190,628,000 in relation to the acquisition of subsidiaries under property management and other segments have been recognised by the Group.

Net cash outflow arising on acquisitions

	RMB'000
Cash consideration paid	(703,815)
Less: bank balances and cash acquired	174,795
	(529,020)

For the year ended 31 December 2016

46. Acquisition of Subsidiaries (continued)

(c) **Acquisition of additional interests in subsidiaries**

For the year ended 31 December 2015

(i) During the year ended 31 December 2015, the Group further acquired additional 36% equity interest in Shenzhen Guozhengxiangqian Investment Development Co., Ltd. (深圳市國正向前投資發展有限公司) ("Guozheng") from a non-controlling shareholder, and the Group's shareholding of Guozheng increased from 64% to 100%. The difference between the consideration of RMB11,880,000 and proportionate share of the Guozheng's net assets of RMB9,831,000 attributable to the Group was transferred to the special reserve of RMB2,049,000.

(ii) During the year ended 31 December 2014, the Group disposed of its 49% and 40% equity interests in Guilin Wanhao Property Development Co., Ltd. 桂林萬豪房地產開發有限公司 ("Wanhao") and Chengdu Zhifu Property Development Co., Ltd. 成都置富房地產開發有限公司 ("Zhifu") respectively, indirectly wholly owned subsidiaries of the Company, to an independent third party at a total consideration of RMB399,240,000, which should be settled before 31 March 2015. Due to the financial difficulty of the buyer, the consideration could not be settled on 31 March 2015, the Group and the buyer entered into termination agreements pursuant to which the transaction for the disposal of 49% and 40% equity interest in Wanhao and Zhifu was terminated and the consideration receivable of RMB399,240,000 due from the buyer was waived.

Accordingly, the Group acquired back 49% and 40% equity interests of Wanhao and Zhifu respectively from non-controlling shareholders. The difference between the consideration of RMB399,240,000 and proportionate share of the subsidiaries' net assets of RMB359,580,000 attributable to the Group was transferred to the special reserve of RMB39,660,000. Wanhao and Zhifu were engaged in property development which holds properties under development in the PRC. Upon termination of the aforesaid transactions, the cash consideration of RMB36,990,000 received in 2014 was refunded to the buyer, the partial consideration of RMB200,000,000 to be settled in exchange for construction work was cancelled and was recognised in trade payable and the consideration receivable of RMB162,250,000 was waived.

47. Disposal of Subsidiaries

(a) **Disposal of subsidiaries**

For the year ended 31 December 2016

(i) In May 2016, the Group disposed of the entire equity interests of Shenzhen Huajun Investment Management Co., Ltd. 深圳花郡投資管理有限公司 to a third party for a consideration of RMB549,305,000, which is engaged in property investment.

(ii) In November 2016, the Group disposed of the entire equity interests of Sichuan Ximei Investment Co., Ltd. 四川西美投資有限公司 ("Sichuan Ximei") to Shenzhen Dingsheng, a joint venture of the Company for a consideration of RMB1,100,000,000. Sichuan Ximei is engaged in property development.

(iii) In December 2016, the Group disposed of certain investment properties through the disposal of the entire equity interests of Wuxi Fantasia Real Estate Co., Ltd. 無錫花樣年房地產有限公司 ("Wuxi Fantasia") to a third party for a consideration of RMB51,000,000. Wuxi Fantasia is engaged in property development.

For the year ended 31 December 2016

47. Disposal of Subsidiaries (continued)

(a) **Disposal of subsidiaries** (continued)

For the year ended 31 December 2016 (continued)

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,543
Investment properties	697,431
Trade and other receivables	116,862
Properties for sale	3,482,224
Amount due from a joint venture of the Company	777,116
Deferred tax assets	60,691
Bank balances and cash	67,159
Trade and other payables	(868,415)
Deposits received on sale of properties	(290,809)
Tax liabilities	(437,502)
Amounts due to certain subsidiaries of the Company	(1,846,568)
Amounts due to joint ventures	(3,901)
Borrowings	(50,000)
Deferred tax liabilities	(46,459)
	1,659,372
Gain on disposal of subsidiaries:	
Cash consideration	1,674,805
Consideration receivable	25,500
	1,700,305
Net assets disposed of	(1,659,372)
	40,933
Net cash inflow arising on disposal:	
Cash consideration	1,674,805
Bank balances and cash disposed of	(67,159)
	1,607,646

For the year ended 31 December 2016

47. Disposal of Subsidiaries (continued)

(a) **Disposal of subsidiaries** (continued)

For the year ended 31 December 2015

(i) In January 2015, the Group disposed of its AFS investments through the disposal of the entire equity interests of its holding company, Charmfull Limited, to an independent third party for a consideration of RMB40,382,000.

(ii) Subsequent to the disposal of 45% equity interest in TCL King electronics (Shenzhen) Co., Ltd. TCL王牌電子(深圳)有限公司 ("TCL King"), as mentioned in note 47(b), the Group further disposed of the remaining 55% equity interest in TCL King through disposal of entire equity interest in Talent Bright International Limited, its holding company to the same independent third party, for a consideration of RMB429,000,000 in September 2015. TCL King was engaged in property development.

(iii) In September 2015, the Group disposed of its entire equity interest in Chengdu Kaizhen Co., Ltd. 成都凱鎮有限公司 ("Chengdu Kaizhen") to an independent third party for a consideration of RMB355,000,000. Chengdu Kaizhen was engaged in provision of hotel services.

(iv) In December 2015, the Group disposed of its entire equity interest in Shenzhen Fantasia Hotel Management Group Co., Limited 深圳花樣年酒店管理有限公司 ("Fantasia Hotel Management") to an independent third party for a consideration of RMB290,000,000. Fantasia Hotel Management was engaged in hotel management.

(v) In December 2015, the Group disposed of its entire equity interest in Fantasia Commercial Management (HK) Co., Ltd. ("Fantasia Commercial") to an independent third party for a consideration of RMB1,100,000,000. Fantasia Commercial was engaged in hotel management. RMB500,000,000 has been received during the year ended 31 December 2015 and the remaining consideration of RMB600,000,000 has been settled during the year ended 31 December 2016.

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

	RMB'000
Consideration satisfied by:	
Cash	1,433,920
Consideration receivables due within one year (note 27)	761,000
Consideration payable related to acquisition of the holding company of AFS investments to be offset upon the disposal	19,462
	2,214,382

47. Disposal of Subsidiaries (continued)

(a) Disposal of subsidiaries (continued)

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	83,871
Investment properties	1,789,474
AFS investment	38,910
Trade and other receivables	32,987
Bank balances and cash	1,441
Amounts due from subsidiaries of the Company	53,145
Trade and other payables	(320)
Deferred tax liabilities	(295,220)
	1,704,288
Gain on disposal of subsidiaries:	
Cash consideration	1,433,920
Consideration receivable	761,000
Consideration payable related to acquisition of the holding company of AFS investment to be offset upon the disposal	19,462
Total Consideration	2,214,382
Net assets disposed of	(1,704,288)
Non-controlling interest	279,945
	790,039
Net cash inflow arising on disposal:	
Cash consideration	1,433,920
Bank balances and cash disposed of	(1,441)
	1,432,479

For the year ended 31 December 2016

47. Disposal of Subsidiaries (continued)

(b) **Disposal of partial interests in subsidiaries without loss of control**

For the year ended 31 December 2016

(i) During the year ended 31 December 2016, Home E&E, a non-wholly owned subsidiary of the Company, issued shares to several third parties at a total cash consideration of RMB71,759,000. Upon completion of the share subscription, the shareholding of the Company was diluted from 70.00% to 69.29% and it constituted a deemed disposal of partial interests in a subsidiary without loss of control. The difference between the consideration received and the share of net assets attributable to the 0.71% equity interest in Home E&E at the date of partial disposal of interests in Home E&E amounted to RMB6,989,000 was recognised in special reserve.

For the year ended 31 December 2015

(i) During the year ended 31 December 2015, the Group disposed of its 30% equity interest in Home E&E, to an independent third party, for a cash consideration of RMB1,500,000. Home E&E was engaged in provision of property operation services.

The difference of RMB8,670,000 between the consideration received of RMB1,500,000 and the proportionate share of the net assets of Home E&E by the non-controlling shareholder amounting to RMB10,170,000 is credited to the special reserve.

(ii) In June 2015, the Group disposed of its 45% equity interest in TCL King to an independent third party for a cash consideration of RMB300,000,000.

The difference of RMB29,811,000 between the consideration of RMB300,000,000 and the proportionate share of TCL King's net assets by the non-controlling shareholder amounting to RMB270,189,000 was credited to the special reserve.

(c) **Disposal of partial interests in subsidiaries resulting in loss of control**

For the year ended 31 December 2016

(i) During the year ended 31 December 2016, Shenzhen Fantasia Real Estate Group Co., Ltd. 深圳市花樣年地產集團有限公司 and Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. 深圳前海嘉年投資基金管理有限公司, the wholly-owned subsidiaries of the Company, and two independent third parties entered into a partnership agreement (the "Partnership Agreement") to establish a partnership Wuhu Xinjia. The partnership is engaged in industrial investment and investment management. The 46% shareholding of the Group in the partnership is classified as interest in an associate of the Group.

Pursuant to the Partnership Agreement, the capital contribution by the Group are RMB771,000,000 and satisfied by the transfer of 99% equity interests Beijing Huawanli and the cash of RMB500,000 while the capital contribution by other parties are RMB900,500,000 in cash. Upon transfer of 99% equity interests and establishment of the partnership, the Group had lost control over Beijing Huawanli and the remaining 1% equity interest in Beijing Huawanli is classified as interest in an associate since all the strategic financial and operating decisions must be approved by 2/3 of shareholding in shareholders' meeting. Beijing Huawanli is engaged in property development in the PRC.

47. Disposal of Subsidiaries (continued)

(c) **Disposal of partial interests in subsidiaries resulting in loss of control** (continued)

For the year ended 31 December 2016 (continued)

(ii) During the year ended 31 December 2016, the Group disposed of 95% equity interest in Suzhou Linjiayan Real Estate Company Ltd. 蘇州林甲岩房地產開發有限公司 ("Linjiayan") to an independent third party for a cash consideration of RMB665,000,000, resulting in loss of control upon completion of the transaction. The remaining 5% equity interest in Suzhou Linjiayan is accounted for AFS investment. Suzhou Linjiayan was engaged in property development in the PRC.

(iii) Subsequent to the transactions detailed in note 16 (b), on 25 August 2016, Chuangshi Jianian Fund is newly formed upon a fund investment agreement entered by Fantasia Group (China) Co., Ltd. 花樣年集團(中國)有限公司 ("Fantasia China"), Shenzhen Colour Life, Home E&E, the subsidiaries of the Company and Shenzhen Jiaxin Wuhu Gopher Asset Management Co., Ltd. ("Wuhu Gopher"), an independent third party ("Investment Agreement"). In relation to the formation of Chuangshi Jianian Fund, Fantasia China, Shenzhen Colour Life, Home E&E and Wuhu Gopher provided capital contribution of RMB260,000,000, RMB60,000,000, RMB60,000,000 and RMB600,000,000, representing approximately 26.5%, 6.1%,6.1% and 61.3% interest in Chuangshi Jianian Fund, respectively. After that, Chuangshi Jianian Fund acquired entire equity interest in Shenzhen Jianxin with cash consideration of RMB204,000,000 and provided loan of RMB776,000,000. In connection to the transaction, Shenzhen Jiaxin would cease to be a subsidiary of the Group and the Group's aggregate interest of 38.7% in Chuangshi Jianian Fund is accounted for interest in a joint venture.

These transactions were accounted for as disposal of partial interests in subsidiaries resulting in loss of control. Details are summarised below:

Assets and liabilities derecognised at dates of loss of control of the disposed subsidiaries are as follows:

	RMB'000
Assets and liabilities disposed at the date of loss of control of the disposed subsidiaries are as follows:	
Property, plant and equipment	581
Investment properties	7,000
Properties for sale	14,473
Prepaid lease payments	418,612
Premium on prepaid lease payments	172,344
Trade and other receivables	74,085
Amount due from a joint venture	985,167
Bank balances and cash	727,638
Trade and other payables	(267,668)
Amounts due to certain subsidiaries of the Company	(407,027)
Deferred tax liabilities	(262)
	1,724,943

For the year ended 31 December 2016

47. Disposal of Subsidiaries (continued)

(c) **Disposal of partial interests in subsidiaries resulting in loss of control** (continued)
For the year ended 31 December 2016 (continued)

	RMB'000
Gain on disposal of subsidiaries:	
Cash received during the year	932,500
Consideration receivables due within one year	332,500
Reclassified as interest in an associate	661,680
Interest retained in Suzhou Linjiayan as available-for-sale investment	10,015
Interest retained in Chuangshi Jianian Fund as interest in a joint venture	382,000
Interest retained in Beijing Huawanli as interest in an associate	5,395
Less: Net assets disposed of	(1,724,943)
	599,147
Net cash inflow arising on disposal:	
Cash consideration	932,500
Bank balances and cash disposed of	(727,638)
	204,862

48. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amount due to a non-controlling shareholder of the company as disclosed in note 35, amounts due to joint ventures as disclosed in note 36, amounts due to associates as disclosed in note 37, borrowings as disclosed in note 38, obligations under finance leases as disclosed in note 39, senior notes and bonds as disclosed in note 40, assets backed securities issued as disclosed in note 41, net of the cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of bank and other borrowings to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital, the Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

49. Financial Instruments

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	16,238,147	9,378,370
Financial assets designated as at FVTPL	127,275	19,200
AFS investments	30,215	–
Financial liabilities		
Financial liabilities measured at amortised cost	26,909,286	20,856,499

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries, joint ventures and related parties, deposit paid for acquisition of subsidiaries, a property project and land use rights, financial assets designated as at FVTPL, restricted/pledged bank deposits, bank balances and cash, AFS investments, trade and other payables, amounts due to a non-controlling shareholder of the company, joint ventures and associates, borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

For the year ended 31 December 2016

49. Financial Instruments (continued)

(b) **Financial risk management objectives and policies** (continued)

Market risk

(i) Currency risk

The Group mainly has bank balances, borrowings, obligations under finance leases and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	2016 RMB'000	2015 RMB'000
Assets		
USD	1,322,541	24,247
HKD	859,455	84,189
TWD	30,646	–
SGD	265,973	185,076
MOP	1,962	–
JPY	1,376	1,434
Liabilities		
USD	10,513,711	6,979,458
JPY	50,142	39,530

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

49. Financial Instruments (continued)

(b) **Financial risk management objectives and policies** (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD, HKD, TWD, SGD, MOP and JYP against RMB.

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in the RMB against the relevant foreign currencies. 10% (2015: 10%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% (2015: 10%) change in foreign currency rates. The sensitivity analysis includes bank balances, borrowings, obligations under finance leases and senior notes. A positive number indicates an increase in profit for the year where the RMB strengthens 10% (2015: 10%) against the relevant currencies. For a 10% (2015: 10%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Foreign currency sensitivity analysis

	2016	**2015**
	RMB'000	**RMB'000**
USD		
Increase in profit for the year	626,671	474,219
HKD		
Decrease in profit for the year	(58,599)	(57,402)
SGD		
Decrease in profit for the year	(181,345)	(126,188)
JPY		
Increase in profit for the year	3,325	2,598
TWD		
Decrease in profit for the year	(2,090)	–
MOP		
Decrease in profit for the year	(134)	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

49. Financial Instruments (continued)

(b) **Financial risk management objectives and policies** (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued.

The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the LIBOR arising from the Group's USD borrowings, the HIBOR arising from the Group's HK borrowings and Benchmark Rate from the Group's RMB borrowings.

Sensitivity analysis

Bank balances and restricted/pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted/pledged bank deposits at the end of the reporting period. A 25% basis points (2015: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25% basis points (2015: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would increase/decrease by RMB19,274,000 (2015: increase/decrease by RMB7,909,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50% basis points (2015: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50% basis points (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by RMB7,029,000 (2015: decrease/increase by RMB11,605,000), net of interest that would be capitalised in accordance with the Group's accounting policy.

49. Financial Instruments (continued)

(b) **Financial risk management objectives and policies** (continued)

Credit risk

As at 31 December 2016, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantee provided by the Group is disclosed in note 54.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables and loan receivables to third parties, with exposure spread over a number of counterparties and customers.

As at 31 December 2016, the Group has concentration of credit risk on the deposits paid for acquisition of subsidiaries, a property project and land use rights and amounts due from related parties, non-controlling shareholder of the subsidiaries, joint ventures and related parties. These balances are paid to counterparties which are all engaged in PRC property development business and property operation service, and are either state-owned entities or companies with high credit rating, the Directors of the Company consider that the credit risk is limited.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on amounts due to a non-controlling shareholders of the subsidiaries, joint ventures and associates, borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued as a significant source of liquidity.

49. Financial Instruments (continued)

(b) **Financial risk management objectives and policies** (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2016								
Trade and other payables	–	951,280	661,938	978,804	517,008	–	3,109,030	3,109,030
Amount due to a non-controlling shareholders of subsidiaries	10.58	313,175	–	–	-	–	313,175	310,438
Amounts due to joint ventures	–	294,157	–	–	–	–	294,157	294,257
Amounts due to associates	–	1,061,338	–	–	–	–	1,061,338	1,061,338
Borrowings								
– fixed rate	7.89	28,361	56,550	250,309	1,318,554	51,091	1,704,865	1,593,800
– variable rate	5.35	67,644	135,249	599,905	1,213,901	100,960	2,117,659	1,773,666
Obligations under finance leases	4.22	2,315	4,630	20,835	95,528	–	123,308	112,148
Senior notes and bonds	9.63	212,336	424,673	3,585,663	28,365,057	–	32,587,729	18,379,625
Assets backed securities issued	5.61	–	16,568	50,111	266,059	–	332,738	275,084
Financial guarantee contracts	–	6,258,249	–	–	–	–	6,258,249	–
		9,188,855	1,299,608	5,485,627	31,776,107	152,051	47,902,248	26,909,286
At 31 December 2015								
Trade and other payables	–	1,436,916	1,414,284	1,251,617	1,395,775	–	5,498,592	5,498,592
Amount due to a non-controlling shareholders of subsidiaries	10.58	390,199	–	–	360,438	–	750,637	719,920
Amounts due to joint ventures	–	1,033,916	–	–	–	–	1,033,916	1,033,916
Borrowings								
– fixed rate	9.94	36,783	549	2,469	803,155	40,462	883,418	869,702
– variable rate	6.76	1,126,593	50,153	225,690	1,677,556	60,345	3,140,337	3,094,710
Obligations under finance leases	4.16	775	5,525	20,881	97,473	16,920	141,574	127,080
Senior notes and bonds	10.40	190,797	1,225,707	516,129	10,627,125	–	12,559,758	9,512,579
Financial guarantee contracts	–	6,441,957	–	–	–	–	6,441,957	–
		10,657,936	2,696,218	2,016,786	14,961,522	117,727	30,450,189	20,856,499

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49. Financial Instruments (continued)

(b) **Financial risk management objectives and policies** (continued)

Liquidity risk (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) **Fair value measurements of financial instruments**

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Except for the following financial liabilities, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

49. Financial Instruments (continued)

(c) **Fair value measurements of financial instruments** (continued)

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at 31 December 2016 RMB'000	31 December 2015 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets designed as at FVTPL	127,275	19,200	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of varies property projects.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and liabilities carried at amortised cost recognised in the consolidated financial statements approximate their fair values.

	Fair value hierarchy	2016 Carrying amount RMB'000	2016 Fair value RMB'000	2015 Carrying amount RMB'000	2015 Fair value RMB'000
Senior notes	Level 1	11,841,852	12,430,527	7,523,775	7,735,192
Listed corporate bonds	Level 1	3,110,162	3,209,098	2,011,477	2,025,673
Non-listed corporate bonds	Level 3	3,427,611	3,538,016	–	–
Assets backed securities issued	Level 3	275,084	289,245	–	–

50. Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	47,023	12,684
In the second to the fifth year inclusive	589,542	–
	636,565	12,684

Operating lease payments represented rentals payable by the Group for certain offices premises and commercial properties. Leases are negotiated and rentals are fixed for terms of one to fifteen years.

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50. Operating Lease Commitments (continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000
Within one year	184,283	145,236
In the second to the fifth year inclusive	487,261	347,825
After the fifth year	165,241	86,184
	836,785	579,245

Property rental income represented rentals receivable by the Group. Leases are negotiated for an average term of one to twenty years with fixed rentals.

51. Capital and Other Commitments

	2016 RMB'000	2015 RMB'000
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	1,421,711	3,736,077
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	182,699	130,719
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	18,142	84,556
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	21,325	3,695

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52. Share Option Schemes

(a) The Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"). Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

During the year ended 31 December 2016, no share option was lapsed (2015: 19,325,000).

As at 31 December 2016, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 85,326,000 (2015: 85,944,000) of HKD0.1 each, representing approximately 1.5% (2015: 1.5%) of the issued share capital of the Company.

52. Share Option Schemes (continued)

(a) **The Company** (continued)

Details of the share options granted under the Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 August 2011	0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022
Employees	29 August 2011	0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2016 and 2015:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2015	Granted during the year	lCancelled/ apsed during the year	Exercised during the year	Outstanding at 31 December 2016
Directors	29 August 2011	29/8/2011–28/8/2012	1,619,000	–	(264,000)	(197,000)	1,158,000	–	–	–	1,158,000
		29/8/2011–28/8/2013	3,539,000	–	(528,000)	(394,000)	2,617,000	–	–	–	2,617,000
		29/8/2011–28/8/2014	11,032,000	–	(1,847,000)	(1,380,000)	7,805,000	–	–	–	7,805,000
	16 October 2012	16/10/2012–15/10/2013	1,792,000	–	(340,000)	(17,000)	1,435,000	–	–	–	1,435,000
		16/10/2012–15/10/2014	3,781,000	–	(681,000)	(33,000)	3,067,000	–	–	–	3,067,000
		16/10/2012–15/10/2015	12,347,000	–	(2,383,000)	(116,000)	9,848,000	–	–	–	9,848,000
			34,110,000	–	(6,043,000)	(2,137,000)	25,930,000	–	–	–	25,930,000
Employees	29 August 2011	29/8/2011–28/8/2012	3,436,000	–	(398,000)	(130,000)	2,908,000	–	–	(47,000)	2,861,000
		29/8/2011–28/8/2013	6,571,000	–	(796,000)	(260,000)	5,515,000	–	–	(94,000)	5,421,000
		29/8/2011–28/8/2014	24,353,000	–	(2,786,000)	(909,000)	20,658,000	–	–	(328,000)	20,330,000
	16 October 2012	16/10/2012–15/10/2013	4,052,000	–	(931,000)	(28,000)	3,093,000	–	–	(15,000)	3,078,000
		16/10/2012–15/10/2014	7,907,000	–	(1,860,000)	(57,000)	5,990,000	–	–	(30,000)	5,960,000
		16/10/2012–15/10/2015	28,561,000	–	(6,511,000)	(200,000)	21,850,000	–	–	(104,000)	21,746,000
			74,880,000	–	(13,282,000)	(1,584,000)	60,014,000	–	–	(618,000)	59,396,000
Total			108,990,000	–	(19,325,000)	(3,721,000)	85,944,000	–	–	(618,000)	85,326,000
Exercisable at the end of the year							85,944,000				85,326,000
Weighted average exercise price at the date of exercise (HKD)							0.83				0.83

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52. Share Option Schemes (continued)

(a) **The Company** (continued)

The closing price of the shares on the date of grant was HKD0.77 at 16 October 2012. Binomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	16 October 2012	29 August 2011
Market price	HKD0.77	HK0.820
Exercise price	HKD0.80	HK0.836
Expected volatility	44.87%	40.43%
Risk-free rate	0.66%	1.74%
Expected dividend yield	5.12%	4.878%

The Group did not recognise any expense for the year ended 31 December 2016 (2015: RMB2,464,000) in relation to share options granted by the Company.

(b) **Colour Life**

A non-wholly owned subsidiary of the Company, Colour Life, operates a share option scheme (the "Colour Life's Scheme"). The Colour Life's Scheme was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to certain directors and employees of the Colour Life and its subsidiaries ("Eligible Employees"). Under the Colour Life's Scheme, the Board of Directors of Colour Life is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Employees to subscribe for shares of Colour Life ("Colour Life's Shares").

The maximum number of Colour Life's Shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of Colour Life shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Colour Life in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non – executive director in excess of 0.1% of Colour Life's share capital or with a value in excess of HKD5 million must be approved in advance by Colour Life's shareholders.

The exercisable period of an option is determined by the directors of Colour Life at their discretion. The expiry date of Colour Life's Options may be determined by the Board of Directors of the Colour Life which shall not be later than the expiry day of Colour Life's Scheme.

The exercise price is determined by the directors of Colour Life, and will not be less than the greater of: (i) the closing price of Colour Life on the offer date; (ii) the average of the closing price of Colour Life's shares for the five trading days immediately preceding the offer of Colour Life's options and (iii) the nominal value per share of Colour Life.

As at 31 December 2016, the total number of Colour Life's shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 90,711,000 (2015: 66,472,000) of HKD0.1 each, representing approximately 9.1% (2015: 6.6%) of the issued share capital of Colour Life.

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52. Share Option Schemes (continued)

(b) Colour Life (continued)

Details of the share options granted under Colour Life's Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 September 2014	6.66	N/A	29/9/2014–28/9/2024
			29/9/2014–28/9/2015	29/9/2015–28/9/2024
			29/9/2014–28/9/2016	29/9/2016–28/9/2024
			29/9/2014–28/9/2017	29/9/2017–28/9/2024
	30 April 2015	11.00	30/4/2015–29/4/2016	30/4/2016–29/4/2025
			30/4/2015–29/4/2017	30/4/2017–29/4/2025
			30/4/2015–29/4/2018	30/4/2018–29/4/2025
	18 March 2016	5.70	18/3/2016–17/3/2017	18/3/2017–17/3/2026
			18/3/2016–17/3/2018	18/3/2018–17/3/2026
			18/3/2016–17/3/2019	18/3/2019–17/3/2026
Employees and non-controlling shareholders of certain subsidiaries	29 September 2015	6.66	N/A	29/9/2014–28/9/2024
			29/9/2014–28/9/2015	29/9/2015–28/9/2024
			29/9/2014–28/9/2016	29/9/2016–28/9/2024
			29/9/2014–28/9/2017	29/9/2017–28/9/2024
	30 April 2015	11.00	30/4/2015–29/4/2016	30/4/2016–29/4/2025
			30/4/2015–29/4/2017	30/4/2017–29/4/2025
			30/4/2015–29/4/2018	30/4/2018–29/4/2025
	18 March 2016	5.70	18/3/2016–17/3/2017	18/3/2017–17/3/2026
			18/3/2016–17/3/2018	18/3/2018–17/3/2026
			18/3/2016–17/3/2019	18/3/2019–17/3/2026

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52. Share Option Schemes (continued)

(b) Colour Life (continued)

The following table of the Company discloses movements of Colour Life's share options held by employees and directors during the year ended 31 December 2016 and 2015:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2016
Directors	29 September 2014	N/A	560,000	–	–	–	560,000	–	(40,000)	–	520,000
		29/9/2014–28/9/2015	1,270,000	–	–	–	1,270,000	–	(206,000)	–	1,064,000
		29/9/2014–28/9/2016	1,270,000	–	–	–	1,270,000	–	(206,000)	–	1,064,000
		29/9/2014–28/9/2017	711,000	–	–	–	711,000	–	(163,000)	–	548,000
	30 April 2015	30/4/2015–29/4/2016	–	477,000	–	–	477,000	–	(41,000)	–	436,000
		30/4/2015–29/4/2017	–	477,000	–	–	477,000	–	(42,000)	–	435,000
		30/4/2015–29/4/2018	–	476,000	–	–	476,000	–	(41,000)	–	435,000
	18 March 2016	19/3/2016–17/3/2017	–	–	–	–	–	487,000	(60,000)	–	427,000
		19/3/2016–17/3/2018	–	–	–	–	–	487,000	(61,000)	–	426,000
		19/3/2016–17/3/2019	–	–	–	–	–	486,000	(60,000)	–	426,000
			3,811,000	1,430,000	–	–	5,241,000	1,460,000	(920,000)	–	5,781,000
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	6,107,000	–	(308,000)	(119,000)	5,680,000	–	(145,000)	–	5,535,000
		29/9/2014–28/9/2015	13,730,000	–	(1,070,000)	–	12,660,000	–	(1,037,000)	–	11,623,000
		29/9/2014–28/9/2016	13,730,000	–	(1,070,000)	–	12,660,000	–	(1,037,000)	–	11,623,000
		29/9/2014–28/9/2017	7,622,000	–	(763,000)	–	6,859,000	–	(891,000)	–	5,968,000
	30 April 2015	30/4/2015–29/4/2016	–	7,857,000	(62,000)	–	7,795,000	–	(1,551,000)	–	6,244,000
		30/4/2015–29/4/2017	–	7,857,000	(62,000)	–	7,795,000	–	(1,552,000)	–	6,243,000
		30/4/2015–29/4/2018	–	7,856,000	(62,000)	–	7,794,000	–	(1,551,000)	–	6,243,000
	18 March 2016	19/3/2016–17/3/2017	–	–	–	–	–	10,929,000	(445,000)	–	10,484,000
		19/3/2016–17/3/2018	–	–	–	–	–	10,929,000	(445,000)	–	10,484,000
		19/3/2016–17/3/2019	–	–	–	–	–	10,929,000	(446,000)	–	10,483,000
			41,189,000	23,570,000	(3,397,000)	(119,000)	61,243,000	32,787,000	(9,043,000)	–	84,930,000
Total			45,000,000	25,000,000	(3,397,000)	(119,000)	66,484,000	34,247,000	(9,963,000)	–	90,711,000
Exercisable at the end of the year											38,109,000
Weighted average exercise price at the date of exercise (HKD)							6.66				–

52. Share Option Schemes (continued)

(b) **Colour Life** (continued)

The closing price of Colour Life's shares on the date of grant was HKD5.76 on 18 March 2016, HKD6.66 on 29 September 2014 and HKD10.88 on 30 April 2015, respectively. Binomial Option Pricing Model had been used to estimate the fair value of Colour Life's options. The variables and assumptions used in computing the fair value of the share options are based on Colour Life's best estimate. The value of Colour Life's option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	18 March 2016	30 April 2015	29 September 2014
Market price	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD5.76	HKD11.00	HKD6.66
Expected volatility	46.20%	46.26%	48.82%
Risk-free rate	1.27%	1.63%	2.01%
Expected dividend yield	1.55%	0.83%	0.00%

During the year ended 31 December 2016, the estimated fair value of Colour Life's options at the date of grant was RMB72,023,000 (2015: RMB104,714,000). Colour Life recognised the total expense of RMB79,041,000 (2015: RMB88,431,000) as share option reserve included in other non-controlling interests for the year ended 31 December 2016 in relation to share options granted by Colour Life.

(c) **Morning Star**

A wholly owned subsidiary of the Company acquired during the year, Morning Star, operates a share option scheme (the "Morning Star's Scheme"). The Morning Star's Scheme was adopted pursuant to a resolution passed on 24 December 2015 for the primary purposes of providing incentives to certain directors and employees of the Morning Star and its subsidiaries ("Eligible Employees"). According to the Morning Star's Scheme, the Board of Directors of Morning Star is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Employees to subscribe for shares of Morning Star ("Morning Star's Shares").

The exercisable period of an option is determined by the directors of Morning Star at their discretion. The expiry date of Morning Star's Options may be determined by the Board of Directors of the Morning Star which shall not be later than the expiry day of Morning Star's Scheme.

As at 31 December 2016, the total number of Morning Star's shares to be issued upon the exercise of all options granted under the Morning Star's Scheme is 7,000,000 of HKD1 each, representing approximately 7% of the issued share capital of Morning Star.

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52. Share Option Schemes (continued)

(c) **Morning Star** (continued)

Details of the share options granted under Morning Star's Scheme is as follows:

Category of Grantees	Date of grant	Granted during the year	Vesting period	Exercisable period	Vesting condition
Eligible Employees	24 December 2015	2,000,000	25/12/2015–30/3/2017	1/4/2017–30/4/2017	the net profit of Morning Star for year ended 31 December 2016 meets RMB10,000,000
		3,000,000	25/12/2015–30/3/2018	1/4/2018–30/4/2018	the net profit of Morning Star for year ending 31 December 2017 meets RMB20,000,000
		2,000,000	25/12/2015–30/3/2019	1/4/2019–30/4/2019	the net profit of Morning Star for year ending 31 December 2018 meets RMB40,000,000

Binomial Option Pricing Model had been used to estimate the fair value of these share – based payment transactions with cash alternative arrangements. The estimated fair value of the share options of Morning Star is RMB5,743,000 which represented the goods or services received from the Employees. The variables and assumptions used in computing the fair value of the share options are based on the management of the Company's best estimate. The expected volatility is based on the historical annualised daily volatilities of comparable companies as if the same sector. Risk-free rate is based on the yield of HK Hong Kong Exchange Fund Notes as of valuation date as quoted from Bloomberg. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	24 December 2015
Share price	HKD1.85
Exercise price	HKD1.00
Expected volatility	45.5% – 54.6%
Risk-free rate	0.25% – 0.84%
Expected dividend yield	0.0%

Morning Star recognised the total expense of RMB2,914,000 (2015: RMB28,000) as share option reserve included in other non-controlling interests for the year ended 31 December 2016 in relation to share options granted by Morning Star.

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53. Retirement Benefits Plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the Group in the PRC are members of state – Managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of RMB130,307,000 (2015: RMB77,208,000).

54. Contingent Liabilities

	2016 RMB'000	2015 RMB'000
(a) Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	6,258,249	6,441,957

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

	2016 RMB'000	2015 RMB'000
(b) Financial guarantees given to a bank for the banking facilities granted to a joint venture, Novena	536,810	513,098

The Group had provided guarantees in respect of banking facilities granted by a bank to Novena. In the opinion of the directors, the fair value of guarantee contract is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

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55. Related Party Disclosures

During the year, in addition to those disclosed in elsewhere at the consolidated financial statements, the Group had following significant transactions with related parties:

(a) **Related party transactions**

Related parties	Relationship	Transactions	2016 RMB'000	2015 RMB'000
Wanxiangmei	Subsidiary of a joint venture of the Company	Consultancy service fee income	31,475	–
Shenzhen Wanxiang	Joint venture of the Company	Management fee income	3,960	–

(b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year is as follows:

	2016 RMB'000	2015 RMB'000
Short-term benefits	81,278	89,449
Post-employment benefits	14,649	13,998
Share-based payments	–	2,575
	95,927	106,022

(c) **Others**

(i) As at 31 December 2016, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB177,300,000 (2015: RMB275,320,000) in aggregate.

(ii) During the year ended 31 December 2016, the Group had sold certain properties to its key management personnel (not including the directors of the Company) of the Group, at a cash consideration of RMB11,667,000 (2015: RMB16,840,000).

56. Particulars of Principal Subsidiaries of the Company

(a) **Material subsidiaries of the Company**

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2016	2015	Principal activities	Legal form
Colour Life Services Group Co., Ltd ("Colour Life")[Δ]	The Cayman Islands 16 March 2011	84,313	50.39%	50.39%	Investment holding	Limited liability company
花樣年集團(中國)有限公司 Fantasia Group (China) Co., Ltd*	The PRC 20 January 2006	1,624,844	100%	100%	Investment holding and property development	Limited liability company
深圳市花樣年地產集團有限公司 Shenzhen Fantasia Real Estate Group Limited ("Shenzhen Fantasia")*	The PRC 28 September 1996	150,000	100%	100%	Investment holding, Property development and investment	Limited liability company
成都市花樣年房地產開發有限公司 Chengdu Fantasia Real Estate Co., Ltd*	The PRC 18 October 2001	75,610	100%	100%	Property development and investment	Limited liability company
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Co., Ltd*	The PRC 28 August 2006	660,339	100%	100%	Investment holding	Limited liability company
成都花萬裏置業有限公司 Chengdu Huawanli Real Estate Co., Ltd*	The PRC 25 October 2005	100,000	100%	100%	Property development and investment	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Co., Ltd*	The PRC 6 November 2006	704,680	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Co., Ltd*	The PRC 22 May 2003	270,000	100%	100%	Property development	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Co., Ltd*	The PRC 9 February 2007	100,000	100%	100%	Property development and investment	Limited liability company
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Co., Ltd*	The PRC 6 August 2008	300,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Co., Ltd*	The PRC 22 August 2007	320,000	100%	100%	Property development	Limited liability company

For the year ended 31 December 2016

56. Particulars of Principal Subsidiaries of the Company (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2016	2015	Principal activities	Legal form
深圳市花樣年房地產開發有限公司 Shenzhen Fantasia Real Estate Co., Ltd*	The PRC 20 April 2006	150,000	100%	100%	Property development	Limited liability company
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Co., Ltd*	The PRC 14 August 2012	100,000	100%	100%	Property development	Limited liability company
蘇州花萬裡房地產開發有限公司 Suzhou Huawanli Real Estate Co., Ltd*	The PRC 9 September 2009	180,000	100%	100%	Property development	Limited liability company
東莞花千里房地產開發有限公司 Dongguan Huaqianli Property Development Co., Ltd*	The PRC 30 April 2012	30,000	100%	100%	Property development	Limited liability company
成都市諾亞舟實業有限公司 Chengdu Nuoyazhou Development Co., Ltd*	The PRC 17 June 2008	300,000	100%	100%	Property development	Limited liability company
桂林萬豪房地產開發有限公司 Guilin Wanhao Property Co., Ltd*	The PRC 14 November 2007	250,000	100%	100%	Property development	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Co., Ltd*	The PRC 14 November 2007	250,000	100%	100%	Property development	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd ("Shenzhen Colour Life")#	The PRC 11 December 2000	35,000	50.39%	50.39%	Provision of property operation services	Limited liability company
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Co., Ltd*	The PRC 1 July 1994	946,844	100%	100%	Property development and investment	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Co., Ltd*#	The PRC 12 June 2007	10,000	50.39%	50.39%	Provision of property operation services	Limited liability company

56. Particulars of Principal Subsidiaries of the Company (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2016	2015	Principal activities	Legal form
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Co., Ltd*#	The PRC 15 November 2001	5,000	50.39%	50.39%	Provision of engineering services	Limited liability company
花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Development Co., Ltd*	The PRC 7 September 2006	1,344,970	100%	100%	Property development	Limited liability company
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Co., Ltd*	The PRC 28 June 2014	394,400	100%	60%	Property development	Limited liability company
蘇州銀莊置地有限公司 Suzhou Yinzhuang Real Estate Co., Ltd*	The PRC 25 January 2006	500,000	100%	100%	Property development	Limited liability company
惠州TCL房地產開發有限公司 Huizhou TCL Property Development Co., Ltd*	The PRC 29 December 2004	100,000	100%	100%	Property development	Limited liability company
成都花樣年置富房地產開發有限公司 Chengdu Fantasia Zhifu Property Development Co., Ltd*	The PRC 13 March 2014	500,000	100%	100%	Property development	Limited liability company
寧波世紀華豐房產有限公司 Ningbo Century Huafeng Property Co., Ltd*	The PRC 25 March 2010	427,500	100%	100%	Property development	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd*#	The PRC 19 October 2000	330,000	50.39%	50.39%	Provision of property operation services	Limited liability company
深圳市越華創新科技工業城有限公司 Shenzhen Yuehua Innovation Technology Industry City Co., Ltd.* ("Shenzhen Yuehua")	The PRC 15 September 2004	62,500	51%	51%	Property development	Limited liability company

For the year ended 31 December 2016

56. Particulars of Principal Subsidiaries of the Company (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2016	2015	Principal activities	Legal form
深圳市永利鴻盈投資有限公司 Shenzhen Yonglihongying Investment Co., Ltd.*	The PRC 23 August 2005	10,000	81%	81%	Property development	Limited liability company
武漢TCL置地投資有限公司 WuhanTCL Real Estate Investment Co., Ltd.*	The PRC 06 May 2011	30,000	100%	100%	Property development	Limited liability company
四川瀚峰置業有限公司 Sichuan Hanfeng Real Estate Co., Ltd*^	The PRC	356,850	91%	–	Property development	Limited liability company
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd*#^	The PRC 09 September 2003	10,000	43.83%	–	Provision of property operation services	Limited liability company
深圳安博電子有限公司 Shenzhen Anbo Electronic Co., Ltd. ("Shenzhen Anbo")	The PRC 17 August 1994	87,000	51%	51%	Property development	Limited liability company
北京亞新科天緯油泵油嘴股份有限公司 ASIMCO Tianwei Fuel Injection Equipment Stock (Beijing) Co., Ltd. ("ASIMCO Tianwei")	The PRC 3 December 1994	381,180	59.84%	N/A	Manufacturing and sale of fuel pumps	Limited liability company

* The English name is for identification purpose only.

\# These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life as at 31 December 2016 and 2015.

^ These subsidiaries were acquired during the year ended 31 December 2016. Details are set out in note 46.

Δ Except for these subsidiaries were directly held by the Company, all other subsidiaries are indirectly owned by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

For the year ended 31 December 2016

56. Particulars of Principal Subsidiaries of the Company (continued)

(b) **Composition of the Group**

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follow:

Principal activities	Principal place of business	Number of subsidiaries 2016	2015
Investment holding	BVI	20	20
	Hong Kong	19	20
	PRC	18	18
	USA	3	1
	Singapore	1	1
	Cayman	1	0
Property development	PRC	94	65
Property investment	PRC	1	1
	Japan	1	1
Property agency services	PRC	1	1
Property operation services	PRC	120	89
Hotel operations	PRC	5	5
	USA	1	1
Other operations	Hong Kong	4	3
	PRC	4	–
	Macao	1	1
		294	227

For the year ended 31 December 2016

56. Particulars of Principal Subsidiaries of the Company (continued)

(c) **Details of non-wholly owned subsidiaries that have material non-controlling interests**

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2016 and 2015 that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		Profit (loss) attributable to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
				RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Colour Life	The PRC	49.61%	49.61%	20,790	31,983	168,018	147,228
Shenzhen Anbo	The PRC	39%	39%	57,649	(43)	90,404	32,755
Shenzhen Yuehua	The PRC	49%	49%	140,646	732	142,206	1,560
ASIMCO Tianwei	The PRC	40.16%	N/A	(40,160)	–	327,417	–
				178,925	32,672	728,045	181,543
Individually immaterial subsidiaries with non-controlling interests				42,137	95,659	1,237,242	821,361
				221,062	128,331	1,965,287	1,002,904

For the year ended 31 December 2016

56. Particulars of Principal Subsidiaries of the Company (continued)

(c) **Details of non-wholly owned subsidiaries that have material non-controlling interests** (continued)

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represented amounts before intra group eliminations.

	Shenzhen Colour Life		Shenzhen Anbo	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Current assets	918,715	806,648	3,654	464,920
Non-current assets	24,202	29,830	803,072	35
Current liabilities	344,250	429,708	414,766	380,969
Non-current liabilities	259,990	110,000	160,156	–
Equity attributable to owners of the company	170,659	149,542	141,400	51,231
Non-controlling interests	168,018	147,228	90,404	32,755
Revenue	139,202	158,888	–	–
Cost of sales	(43,988)	(55,068)	–	–
Recognition of change in fair value of property for sale upon transfer from investment property	–	–	227,172	–
Expenses	(53,307)	(39,351)	(79,354)	(111)
Profit (loss) for the year	41,907	64,469	147,818	(111)
Profit (loss) attributable to the owners of the company	21,117	32,486	90,169	(68)
Profit (loss) attributable to the non-controlling interests	20,790	31,983	57,649	(43)
Net cash inflow (outflow) from operating activities	90,211	61,871	(87,824)	(20,982)
Net cash inflow (outflow) from investing activities	77,435	(3,265)	5	(16)
Net cash inflow (outflow) from financing activities	26,267	(79,470)	89,503	20,767
Net cash inflow (outflow)	193,913	(20,864)	1,684	(231)

For the year ended 31 December 2016

56. Particulars of Principal Subsidiaries of the Company (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Shenzhen Yuehua		ASIMCO Tianwei
	2016	2015	2016
	RMB'000	RMB'000	RMB'000
Current assets	922,603	374,751	1,578,396
Non-current assets	134	203	267,910
Current liabilities	632,520	371,771	659,701
Non-current liabilities	–	–	371,323
Equity attributable to owners of the Company	148,011	1,623	487,865
Non-controlling interests	142,206	1,560	327,417
Revenue	522,982	–	158,989
Cost of sales	(134,926)	–	(147,142)
Expenses	(101,022)	(1,494)	(111,847)
Profit (loss) for the year	287,034	(1,494)	(100,000)
Profit (loss) attributable to the owners of the Company	146,388	(762)	(59,840)
Profit (loss) attributable to the non-controlling interests	140,646	(732)	(40,160)
Net cash inflow (outflow) from operating activities	131,858	22,882	(98,260)
Net cash (outflow) inflow from investing activities	(38,895)	(270,153)	1,149
Net cash inflow from financing activities	46,462	283,065	87,446
Net cash inflow (outflow)	139,425	35,794	(9,665)

57. Information About the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	2,744,791	2,536,908
Amounts due from subsidiaries	8,165,950	7,066,355
	10,910,741	9,603,263
CURRENT ASSETS		
Other receivables	157,169	451
Banks balances and cash	1,894,858	1,543
	2,052,027	1,994
CURRENT LIABILITIES		
Other payables	27,653	15,537
Amounts due to subsidiaries	53,158	4,400
Bank borrowings – due within one year	1,353	201,495
Senior notes	1,794,707	1,004,105
	1,876,871	1,225,537
NET CURRENT ASSETS (LIABILITIES)	175,156	(1,223,543)
TOTAL ASSETS LESS CURRENT LIABILITIES	11,085,897	8,379,720

	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES		
Senior notes	10,035,569	6,636,915
Bank borrowing – due after one year	650,000	–
	10,685,569	6,636,915
TOTAL ASSETS LESS TOTAL LIABILITIES	400,328	1,742,805
CAPITAL AND RESERVES		
Share capital	497,848	497,797
Reserves	(97,520)	1,245,008
	400,328	1,742,805

For the year ended 31 December 2016

57. Information About the Statement of Financial Position of the Company (continued)

Movement of capital and reserves:

	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2015	497,485	2,441,983	(389,239)	19,499	2,569,728
Loss and total comprehensive expense for the year	–	–	(586,968)	–	(586,968)
Recognition of equity-settled share-based payments (note 52)	–	–	–	2,464	2,464
Issue of share upon exercise of share options	312	3,219	–	(938)	2,593
Share options lapsed	–	–	3,092	(3,092)	–
Dividend distributed to shareholders of the Company (note 11)	–	(245,012)	–	–	(245,012)
At 31 December 2015	497,797	2,200,190	(973,115)	17,933	1,742,805
Loss and total comprehensive expense for the year	–	–	(1,087,099)	–	(1,087,099)
Issue of share upon exercise of share options	51	706	–	(342)	415
Dividend distributed to shareholders of the Company (note 11)	–	(255,793)	–	–	(255,793)
At 31 December 2016	497,848	1,945,103	(2,060,214)	17,591	400,328

58. Event After the Reporting Period

On 23 January 2017, the Company redeemed all outstanding senior notes (2014 – senior notes due 2019) amounting to USD278,900,000, equivalent to approximately RMB1,912,473,000, at the price equal to 105.31250% of the principal amount thereof, being USD293,717,000, equivalent to approximately RMB2,014,076,000, plus accrued and unpaid interest of USD14,817,000, equivalent to approximately RMB101,603,000, to the redemption date.

The total redemption price paid by the Company on the redemption date is US$308,534,000, equivalent to RMB2,115,679,000, and a loss on redemption of approximately RMB203,206,000 will be recognised in profit or loss.

Deloitte.
德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 212, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal controls as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 March 2016

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	7	**8,164,297**	7,305,950
Cost of sales and services		**(5,645,554)**	(4,499,138)
Gross profit		**2,518,743**	2,806,812
Other income, gains and losses	8	**(108,360)**	(13,301)
Change in fair value of investment properties	16	**713,887**	575,840
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	29	**175,922**	95,665
Selling and distribution expenses		**(318,594)**	(269,719)
Administrative expenses		**(741,241)**	(585,730)
Finance costs	9	**(302,340)**	(290,948)
Share of results of associates		**626**	56
Share of results of joint ventures		**(7,324)**	(12,663)
Gains on disposal of subsidiaries	46(a)	**790,039**	223,707
Profit before tax	10	**2,721,358**	2,529,719
Income tax expense	11	**(1,318,542)**	(1,157,408)
Profit for the year		**1,402,816**	1,372,311
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of properties		**11,876**	9,942
Deferred taxation liability arising from revaluation of properties		**(2,969)**	(2,485)
Other comprehensive income for the year, net of income tax		**8,907**	7,457
Profit and total comprehensive income for the year		**1,411,723**	1,379,768
Profit for the year attributable to:			
Owners of the Company		**1,210,610**	1,255,341
An owner of perpetual capital instrument		**63,875**	42,525
Other non-controlling interests		**128,331**	74,445
		1,402,816	1,372,311
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**1,215,955**	1,259,815
An owner of perpetual capital instrument		**63,875**	42,525
Other non-controlling interests		**131,893**	77,428
		1,411,723	1,379,768
Earnings per share – Basic (RMB)	14	**0.21**	0.22
Earnings per share – Diluted (RMB)	14	**0.21**	0.22

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,766,869	1,541,882
Investment properties	16	6,884,931	6,642,075
Interests in associates	17	6,789	1,753
Interests in joint ventures	18	410,044	609,981
Available-for-sale investment	19	–	38,910
Goodwill	20	733,549	133,918
Intangible assets	21	204,474	26,850
Prepaid lease payments	22	868,698	884,550
Premium on prepaid lease payments	23	172,169	175,847
Land development expenditure	24	–	667,965
Other receivables		376,841	376,841
Deposits paid for acquisition of subsidiaries	25	231,329	262,550
Deposit paid for acquisition of a property project	26	140,946	136,648
Deposits paid for acquisition of land use rights	27	1,050,077	1,005,685
Deferred tax assets	28	462,161	498,714
		13,308,877	13,004,169
CURRENT ASSETS			
Properties for sale	29	21,801,648	19,442,516
Prepaid lease payments	22	34,274	34,274
Premium on prepaid lease payments	23	3,678	3,678
Trade and other receivables	30	4,604,047	3,873,362
Amounts due from customers for contract works	31	88,937	59,460
Tax recoverable		107,594	34,130
Amount due from a joint venture	32	180,258	149,855
Amounts due from related parties	33	184,782	–
Financial assets designated as at fair value through profit or loss ("FVTPL")	34	19,200	–
Restricted/pledged bank deposits	35	1,336,482	914,596
Bank balances and cash	35	2,881,511	3,738,040
		31,242,411	28,249,911
CURRENT LIABILITIES			
Trade and other payables	36	6,626,928	5,516,143
Deposits received for sale of properties		5,555,880	3,386,888
Amounts due to customers for contract works	31	17,141	8,195
Amount due to a non-controlling shareholder	37	390,199	419,960
Amounts due to joint ventures	38	1,033,916	996,467
Tax liabilities		3,626,109	3,016,193
Borrowings – due within one year	39	1,407,598	4,122,925
Obligations under finance leases	40	22,101	20,826
Senior notes and bonds	41	1,004,105	746,051
		19,683,977	18,233,648
NET CURRENT ASSETS		11,558,434	10,016,263
TOTAL ASSETS LESS CURRENT LIABILITIES		24,867,311	23,020,432

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Amount due to a non-controlling shareholder	37	329,721	686,667
Deferred tax liabilities	28	1,071,358	1,096,155
Borrowings – due after one year	39	2,556,814	3,651,475
Obligations under finance leases	40	104,979	119,749
Derivative financial instruments	6	22,673	–
Senior notes and bonds	41	8,508,474	6,022,081
Provision	42	33,255	31,931
		12,627,274	11,608,058
		12,240,037	11,412,374
CAPITAL AND RESERVES			
Share capital	43	497,797	497,485
Reserves		9,910,694	8,955,574
Equity attributable to owners of the Company		10,408,491	9,453,059
Perpetual capital instrument	44	710,500	710,500
Other non-controlling interests		1,121,046	1,248,815
Total non-controlling interests		1,831,546	1,959,315
		12,240,037	11,412,374

The consolidated financial statements on pages 87 to 212 were approved and authorised for issue by the Board of Directors on 2 March 2016 and are signed on its behalf by:

PAN JUN
EXECUTIVE DIRECTOR

LAM KAM TONG
EXECUTIVE DIRECTOR

For the year ended 31 December 2015

	Attributable to owners of the Company										Attributable to non-controlling interests					
	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Share options reserve RMB'000 (Note iii)	Contribution reserve RMB'000 (Note vii)	Statutory reserves RMB'000 (Note iv)	Discretionary reserves RMB'000	Property revaluation reserve RMB'000 (Note v)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share option reserve of Colour Life RMB'000	Share option reserve of Morning Star RMB'000	Other non–controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
At 1 January 2014	429,575	1,876,311	30,821	16,176	40,600	43,737	1,477	33,883	4,847,871	7,320,451	–	–	–	510,877	510,877	7,831,328
Profit for the year	–	–	–	–	–	–	–	–	1,255,341	1,255,341	42,525	–	–	74,445	116,970	1,372,311
Surplus on revaluation of properties	–	–	–	–	–	–	–	5,965	–	5,965	–	–	–	3,977	3,977	9,942
Deferred taxation liability arising from revaluation of properties	–	–	–	–	–	–	–	(1,491)	–	(1,491)	–	–	–	(994)	(994)	(2,485)
Other comprehensive income for the year	–	–	–	–	–	–	–	4,474	–	4,474	–	–	–	2,983	2,983	7,457
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	4,474	1,255,341	1,259,815	42,525	–	–	77,428	119,953	1,379,768
Acquisition of subsidiaries (note 45(a) and (b))	–	–	–	–	–	–	–	–	–	–	–	–	–	45,983	45,983	45,983
Issue of share as consideration of acquisition of subsidiary	67,900	871,625	–	–	–	–	–	–	–	939,525	–	–	–	–	–	939,525
Issue of share upon exercise of share option	10	101	–	(30)	–	–	–	–	–	81	–	–	–	–	–	81
Dilution of interests in subsidiaries (note vi)	–	–	314,811	–	–	–	–	–	–	314,811	–	–	–	395,403	395,403	710,214
Contributions from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	2,108	2,108	2,108
Dividend distributed to shareholders of the Company (note 13)	–	(306,054)	–	–	–	–	–	–	–	(306,054)	–	–	–	–	–	(306,054)
Recognition of equity-settled share-based payments (note 49)	–	–	–	3,353	–	–	–	–	–	3,353	–	29,780	–	–	29,780	33,133
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	(115,802)	–	–	–	–	–	–	(115,802)	–	–	–	(124,053)	(124,053)	(239,855)
Disposal of a subsidiary (note 46(a))	–	–	–	–	–	–	–	–	–	–	–	–	–	(57,904)	(57,904)	(57,904)
Disposal partial interest without loss of control (note 46(b))	–	–	36,879	–	–	–	–	–	–	36,879	–	–	–	362,361	362,361	399,240
Issue of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	700,000	–	–	–	700,000	700,000
Distribution to holders of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(32,025)	–	–	–	(32,025)	(32,025)
Capitalisation of redeemable shares	–	–	–	–	–	–	–	–	–	–	–	–	–	6,832	6,832	6,832
Transfer	–	–	–	–	–	1,106	–	–	(1,106)	–	–	–	–	–	–	–
At 31 December 2014	497,485	2,441,983	266,709	19,499	40,600	44,843	1,477	38,357	6,102,106	9,453,059	710,500	29,780	–	1,219,035	1,959,315	11,412,374
Profit for the year	–	–	–	–	–	–	–	–	1,210,610	1,210,610	63,875	–	–	128,331	192,206	1,402,816
Surplus on revaluation of properties	–	–	–	–	–	–	–	7,126	–	7,126	–	–	–	4,750	4,750	11,876
Deferred taxation liability arising from revaluation of properties	–	–	–	–	–	–	–	(1,781)	–	(1,781)	–	–	–	(1,188)	(1,188)	(2,969)
Other comprehensive income for the year	–	–	–	–	–	–	–	5,345	–	5,345	–	–	–	3,562	3,562	8,907

For the year ended 31 December 2015

	Attributable to owners of the Company										Attributable to non-controlling interests					
	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Share options reserve RMB'000 (Note iii)	Contribution reserve RMB'000 (Note vii)	Statutory reserves RMB'000 (Note iv)	Discretionary reserves RMB'000	Property revaluation reserve RMB'000 (Note v)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share option reserve of Colour Life RMB'000	Share option reserve of Morning Star RMB'000	Other non–controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	5,345	1,210,610	1,215,955	63,875	–	–	131,893	195,768	1,411,723
Acquisition of subsidiaries (note 45(b))	–	–	–	–	–	–	–	–	–	–	–	–	–	15,809	15,809	15,809
Issue of share upon exercise of share option	312	3,219	–	(938)	–	–	–	–	–	2,593	–	(97)	–	664	567	3,160
Contributions from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	4,500	4,500	4,500
Dividend distributed to shareholders of the Company (note 13)	–	(245,012)	–	–	–	–	–	–	–	(245,012)	–	–	–	–	–	(245,012)
Recognition of equity-settled share-based payments (note 49)	–	–	–	2,464	–	–	–	–	–	2,464	–	88,431	28	–	88,459	90,923
Share option lapsed (note 49)	–	–	–	(3,092)	–	–	–	–	3,092	–	–	–	–	–	–	–
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	(41,709)	–	–	–	–	–	–	(41,709)	–	–	–	(369,411)	(369,411)	(411,120)
Disposal of subsidiaries (note 46(a))	–	–	–	–	–	–	–	(23,334)	23,334	–	–	–	–	(279,945)	(279,945)	(279,945)
Disposal of partial interest without loss of control (note 46(b))	–	–	21,141	–	–	–	–	–	–	21,141	–	–	–	280,359	280,359	301,500
Distribution to holders of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(63,875)	–	–	–	(63,875)	(63,875)
Transfer	–	–	–	–	–	14,340	–	–	(14,340)	–	–	–	–	–	–	–
At 31 December 2015	497,797	2,200,190	246,141	17,933	40,600	59,183	1,477	20,368	7,324,802	10,408,491	710,500	118,114	28	1,002,904	1,831,546	12,240,037

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represents the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.

(iii) Share options reserve represents the share-based payment under the Company's share option scheme.

(iv) The statutory reserves and discretionary reserves relate to subsidiaries in the People's Republic of China (the "PRC") and are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.

(v) Property revaluation surplus arose from the transfer of owner-occupied property to investment properties at the date of change in use.

(vi) Colour Life Service Group Co., Limited ("Colour Life") has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 30 June 2014. On the same date, 250,000,000 ordinary shares with a par value of HK$0.01 each of Colour Life were issued by way of public offering and placing ("Share Offer"), the net proceeds received by Colour Life, after deducting the expenses relating to the Share Offer, was RMB710,214,000. The Group's percentage of equity interest in Colour Life was then diluted from 67.19% to 50.39% upon completion of the Share Offer. The difference of RMB314,811,000 between the share of net assets of Colour Life amounted to RMB395,403,000 and the net proceeds were recognised in special reserve.

(vii) Contribution reserve represents (a) the contribution/distribution to shareholders during the group reorganisation in 2009; (b) the difference between the consideration paid and the fair value of net assets acquired from related parties; (c) the difference between the consideration received and the carrying amount of net assets disposed of to related parties during the group reorganisation in 2009; and (d) the waiver of shareholder loans in 2009.

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before tax	2,721,358	2,529,719
Adjustments for:		
Change in fair value of investment properties	(713,887)	(575,840)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	(175,922)	(95,665)
Investment income on financial assets designated as at FVTPL	(442)	–
Fair value adjustment on option derivative	(6,917)	–
Release of prepaid lease payments	15,852	24,588
Release of premium on prepaid lease payments	3,678	22,910
Amortisation of intangible assets	13,004	3,505
Depreciation of property, plant and equipment	130,213	91,095
Gain on disposal of property, plant and equipment	(169)	(321)
Gains on disposal of subsidiaries	(790,039)	(223,707)
Allowance on bad and doubtful debts, net	44,504	39,653
Bank interest income	(30,127)	(23,351)
Finance costs	302,340	290,948
Net foreign exchange loss	233,559	50,514
Share of results of associates	(626)	(56)
Share of results of joint ventures	7,324	12,663
Share-based payment expenses	90,923	33,133
Operating cash flows before movements in working capital	1,844,626	2,179,788
Additions to prepaid lease payments	–	(275,995)
Decrease (increase) in land development expenditure	315,930	(1,834)
Increase in properties for sale	(705,348)	(2,422,000)
Increase in deposits paid for acquisition of land use rights	(44,392)	(260,544)
Increase in trade and other receivables	(267,137)	(145,613)
Increase in amounts due from customers for contract works	(29,477)	(18,401)
Increase in amount due from a related party	(1,124)	–
Increase (decrease) in amounts due to customers for contract works	8,946	(46,123)
Increase in trade and other payables	861,845	2,237,813
Increase (decrease) in deposits received for sale of properties	1,621,602	(1,198,314)
Cash generated from operations	3,605,471	48,777
Income tax paid	(521,660)	(766,398)
Interest paid	(1,120,405)	(1,025,521)
NET CASH FROM (USD IN) OPERATING ACTIVITIES	1,963,406	(1,743,142)

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES			
Deposit paid for acquisition of a property project		(4,298)	(4,302)
Increase in restricted/pledged bank deposits		(421,886)	(81,739)
Settlement of consideration payables on acquisition of assets and liabilities through acquisitions of subsidiaries and acquisition of businesses		(861,585)	(19,462)
Settlement of consideration receivables of disposal of subsidiaries		492,856	205,369
Purchases of property, plant and equipment		(423,925)	(569,531)
Additions to investment properties		(604,318)	(652,727)
Acquisitions of assets and liabilities through acquisitions of subsidiaries (net of cash and cash equivalents acquired)	45(a)	(46,019)	(189,846)
Acquisition of businesses (net of cash and cash equivalents acquired)	45(b)	(529,020)	(39,788)
Capital injection to an associate		(4,410)	(490)
Proceeds received upon derecognition of a joint venture		–	19,449
Bank interest received		30,127	23,351
Dividend received from an associate		–	359
Proceeds from disposal of property, plant and equipment		121,222	14,998
Disposal of subsidiaries	46(a)	1,432,479	54,453
Disposal of partial interests in subsidiaries resulting in loss of control	46(c)	–	(28,128)
Deposits paid for acquisition of subsidiaries		(37,164)	(212,550)
Proceeds from disposal of investment properties		10,673	12,214
Purchase of financial assets designated as at FVTPL		(74,558)	–
Redemption of financial assets designated as at FVTPL		109,958	–
Acquisition of investments in joint ventures		–	(361,731)
Advance to a related party		(183,658)	(10,665)
Advance to a joint venture		(30,403)	–
Repayment from a joint venture		–	10,020
NET CASH USED IN INVESTING ACTIVITIES		(1,023,929)	(1,830,746)

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes and bonds		3,211,284	1,801,274
Net proceeds from Share Offer of Colour Life		–	710,214
Net proceeds from issuance of perpetual capital instrument		–	700,000
Contribution from non-controlling shareholders		4,500	2,108
New borrowings raised		1,582,989	7,856,159
Repayment of borrowings		(5,768,914)	(6,856,676)
Repayment of senior notes		(795,926)	–
Distribution to an owner of perpetual capital instrument		(63,875)	(32,025)
Dividend paid to shareholders of the Company		(245,012)	(306,054)
Repayment to a related party		–	(506)
Acquisition of additional interest in subsidiaries	45(c)	(48,870)	(239,855)
Repayment of obligations under finance leases		(27,181)	(32,120)
Proceed from disposal of partial interests in subsidiaries without loss of control	46(b)	301,500	36,990
Issue of share upon exercise of share option		3,160	81
Advances from a joint venture		440,836	897,209
Repayment to a joint venture		(403,387)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(1,808,896)	4,536,799
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(869,419)	962,911
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,738,040	2,776,879
Effect of foreign exchange rate changes		12,890	(1,750)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		2,881,511	3,738,040

For the year ended 31 December 2015

1. General

The Company is a limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 54.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above new and revised amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 "*Financial Instruments: Recognition and Measurement*" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 "Financial Instruments" (continued)

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amount reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the group undertakes a detailed review.

HKFRS 15 "Revenue from contracts with Customer"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the above impact, the Directors of the Company do not anticipate that the application of other new and revised HKFRSs will not have significant impact on the Group's consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the stock exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

For the year ended 31 December 2015

3. Significant Accounting Policies (continued)

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits respectively*";

- liabilities or equity instruments related to share-based payment arrangement of the acquire or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

For the year ended 31 December 2015

3. Significant Accounting Policies (continued)

Business combinations

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for the goodwill arising on the acquisition of an associate is described below.

3. Significant Accounting Policies (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. The associate and joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, and investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "*Impairment of Assets*" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

Revenue recognition

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

For the year ended 31 December 2015

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Sales of properties

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

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

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

The Group's policy for recognition of revenue from construction services is described in the accounting policy for construct in contracts below.

Hotel operation

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

Interest income

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Investment properties
Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

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

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

Land development expenditure
Land development expenditure is stated at the lower of cost and net realisable value. The cost includes expenditure directly attributable to the development of relevant projects such as road construction, demolition, resettlement work and borrowing cost.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

For the year ended 31 December 2015

3. Significant Accounting Policies (continued)

Properties for sale

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables, financial assets designated as at FVTPL and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits paid for acquisition of subsidiaries and a property project, other receivables (non-current), trade and other receivables, amounts due a from joint venture and related parties, financial assets designated as at FVTPL, restricted/pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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3. Significant Accounting Policies (continued)

Financial instruments (continued)
Financial assets (continued)
Financial assets at FVTPL (continued)
Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income, gains and losses.

Available-for-sale financial assets
AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies (continued)

Financial instruments (continued)
Financial assets (continued)
Impairment of financial assets (continued)
For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments
Classification as debt or equity
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

For the year ended 31 December 2015

3. Significant Accounting Policies (continued)

Financial instruments (continued)
Financial liabilities and equity instruments (continued)
Senior notes and bonds
Senior notes and bonds issued by the Group that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes and bonds is carried at amortised cost using the effective interest method. The early redemption option and put option are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes and bonds are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes and bonds using the effective interest method.

Other financial liabilities
Other financial liabilities (including trade and other payables, amount due to a non-controlling shareholder, amounts due to joint ventures, obligations under finance leases and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments
Derivative financial instruments that do not qualify for hedge accounting are deemed as financial assets or liabilities held for trading and measured at fair value. Derivatives are initially recognised at fair value at the dates derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial liabilities arising from put options
Put option granted to corporate holders, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares is treated as derivative and recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised in profit or loss.

If the put option expires unexercised, the liability is derecognised and the resulting gain or loss is recognised in profit or loss immediately.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 "*Provision, Contingent Liabilities and Contingent Assets*"; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

For the year ended 31 December 2015

3. Significant Accounting Policies (continued)

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Government grants

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

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

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

3. Significant Accounting Policies (continued)

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

For the year ended 31 December 2015

3. Significant Accounting Policies (continued)

Leasing (continued)

Leasehold land and building (continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale or for use in the production or supply of goods or services, and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of development of projects for sale whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3. Significant Accounting Policies (continued)

Taxation (continued)

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the year ended 31 December 2015

3. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of approximately RMB21,801,648,000 (2014: RMB19,442,516,000). Cost, including the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on saleable gross floor area, using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the LAT based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable upon the disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies.

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

For the year ended 31 December 2015

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivable is RMB1,317,151,000 (2014: carrying amount of RMB1,034,555,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill net of accumulated impairment loss was approximately RMB733,549,000 (2014: carrying amount of RMB133,918,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of intangible assets net of accumulated impairment loss was RMB204,474,000 (2014: RMB26,850,000).

Fair value measurements and valuation processes

The investment properties of the Group are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to joint ventures as disclosed in note 38, amount due to a non-controlling shareholder as disclosed in note 37, borrowings as disclosed in note 39, obligations under finance leases disclosed in note 40, senior notes and bonds as disclosed in note 41, net of the cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of bank and other borrowings to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital, the Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

6. Financial Instruments

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	9,357,511	7,725,618
AFS investment	–	38,910
Financial assets designated as at FVTPL	19,200	–
Financial liabilities		
Financial liabilities measured at amortised cost	20,972,906	21,810,703
Derivative financial instruments	22,673	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits paid for acquisition of subsidiaries, a property project and land use rights, trade and other receivables, finance lease receivables, amounts due from related parties and a joint venture, financial assets designated as at FVTPL, restricted/pledged bank deposits, bank balances and cash, trade and other payables, amounts due to a non-controlling shareholder and joint ventures, borrowings, obligations under finance leases, senior notes and bonds and derivative financial instruments. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

For the year ended 31 December 2015

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(i) Currency risk

The Group has bank balances, borrowings, obligations under finance leases and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	2015 RMB'000	2014 RMB'000
Assets		
United States Dollars ("USD")	24,247	60,413
Hong Kong Dollars ("HKD")	84,189	318,722
Singapore Dollars ("SGD")	185,076	150,098
Japanese Yan ("JPY")	1,434	3,366
Liabilities		
USD	6,979,458	6,904,709
HKD	–	85,251
JPY	39,530	42,413

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD, HKD, SGD and JPY against RMB.

The following table details the Group's sensitivity to a 10% (2014: 10%) increase and decrease in the RMB against the relevant foreign currencies. 10% (2014: 10%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2014: 10%) change in foreign currency rates. The sensitivity analysis includes bank balances, borrowings, obligations under finance leases and senior notes. A positive number indicates an increase in profit for the year where the RMB strengthens 10% (2014: 10%) against the relevant currencies. For a 10% (2014: 10%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

For the year ended 31 December 2015

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(i) ***Currency risk*** (continued)

Foreign currency sensitivity analysis

	2015 RMB'000	2014 RMB'000
USD		
Increase in profit for the year	671,521	513,322
HKD		
Decrease in profit for the year	(8,419)	(17,510)
SGD		
Decrease in profit for the year	17,544	14,968
JPY		
Increase in profit for the year	3,810	2,929

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) ***Interest rate risk***

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate borrowings, obligations under finance leases, senior notes and bonds. The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the London Interbank Offer Rate ("LIBOR") arising from the Group's USD borrowings, the Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's HKD borrowings and Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate") from the Group's RMB borrowings.

For the year ended 31 December 2015

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Interest rate risk (continued)

Interest rate risk sensitivity analysis

Bank balances and restricted/pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted/pledged bank deposits at the end of the reporting period. A 25 basis points (2014: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2014: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase/decrease by RMB9,212,000 (2014: increase/decrease of RMB8,724,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by RMB11,605,000 (2014: decrease/increase of RMB20,421,000), net of interest that would be capitalised in accordance with the Group's accounting policy.

(iii) Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 51(i).

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

As at 31 December 2015, the Group has concentration of credit risk on the deposits paid for acquisition of subsidiaries, a property project and land use rights and amounts due from related parties and a joint venture. These balances are paid to counterparties which are all engaged in PRC property development business and property operation service, and are either state-owned entities or companies with high credit rating, the directors of the Company consider that the credit risk is limited.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on amounts due to joint ventures, borrowings, obligations under finance leases, senior notes and bonds as a significant source of liquidity.

For the year ended 31 December 2015

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

*(iv) **Liquidity risk*** (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2015								
Trade and other payables	–	1,553,323	1,414,284	1,251,617	1,395,775	–	5,614,999	5,614,999
Amount due to a non-controlling shareholder	10.58	390,199	–	–	360,438	–	750,637	719,920
Amounts due to joint ventures	–	1,033,916	–	–	–	–	1,033,916	1,033,916
Borrowings								
– fixed rate	9.94	36,783	549	2,469	803,155	40,462	883,418	869,702
– variable rate	6.76	1,126,593	50,153	225,690	1,677,556	60,345	3,140,337	3,094,710
Obligations under finance leases	4.16	775	5,525	20,881	97,473	16,920	141,574	127,080
Senior notes and bonds	10.40	190,797	1,225,707	516,129	10,627,125	–	12,559,758	9,512,579
Financial guarantee contracts	–	6,441,957	–	–	–	–	6,441,957	–
		10,774,343	2,696,218	2,016,786	14,961,522	117,727	30,566,596	20,972,906
At 31 December 2014								
Trade and other payables	–	1,537,773	1,208,257	981,732	1,296,740	–	5,024,502	5,024,502
Amount due to a non-controlling shareholder	10.58	419,960	–	–	750,638	–	1,170,598	1,106,627
Amounts due to joint ventures	–	996,467	–	–	–	–	996,467	996,467
Borrowings								
– fixed rate	9.50	704,450	907,858	290,483	295,944	339,174	2,537,909	2,328,927
– variable rate	7.48	763,320	227,754	1,709,395	3,203,810	330,574	6,234,853	5,445,473
Obligations under finance leases	4.16	730	5,423	20,082	96,284	37,771	160,290	140,575
Senior notes	12.05	82,224	105,170	2,082,441	7,603,460	82,224	9,955,519	6,768,132
Financial guarantee contracts	–	4,778,135	–	–	–	–	4,778,135	–
		9,283,059	2,454,462	5,084,133	13,246,876	789,743	30,858,273	21,810,703

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. However, as at 31 December 2015 and 2014, there is no such kind of bank borrowings.

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

- The fair value of financial guarantee contracts at initial recognition is determined to be insignificant, using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default; and

- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value determined based on the discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Except for the following financial liabilities, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

	Fair value hierarchy	2015 Carrying amount RMB'000	2015 Fair value RMB'000	2014 Carrying amount RMB'000	2014 Fair value RMB'000
Senior notes and bonds	Level 1	9,512,579	9,738,192	6,768,132	6,333,896
Derivative financial instrument	Level 3	22,673	22,673	–	–

For the year ended 31 December 2015

7. Revenue and Segment Information

An analysis of the Group's revenue for the year is as follows:

	2015 RMB'000	2014 RMB'000
Sales of properties	6,562,066	6,535,319
Rental income	182,886	136,462
Agency fee from provision of property agency services	24,476	18,653
Management fee and installation services fee from provision of property operation services	1,270,014	504,243
Hotel operations	121,620	111,273
Others	3,235	–
	8,164,297	7,305,950

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the operating and reportable segments of the Group.

The Group has six reportable and operating segments as follows:

Property development	–	developing and selling of commercial and residential properties in the PRC
Property investment	–	leasing of commercial and residential properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation of security systems and other related services
Hotel operation	–	provision of hotel accommodation, hotel management and related services, food and beverage sale and other ancillary services
Others	–	provision of travel agency services

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, exchange gain/loss, share of results of associates and joint ventures, gain on disposal of subsidiaries, finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, available-for-sale investments, amount due from a joint venture and related parties, financial assets designed as at FVTPL, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

For the year ended 31 December 2015

7. Revenue and Segment Information (continued)

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For 31 December 2015

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	6,562,066	182,886	24,476	1,270,014	121,620	3,235	8,164,297
Inter-segment revenues	16,979	–	–	107,361	–	–	124,340
Segment results	1,420,638	829,649	22,148	381,102	(9,270)	289	2,644,556
Segment assets	28,569,770	6,985,732	14,890	1,827,971	1,252,412	285,500	38,936,275
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	99,563	932,377	–	805,352	237,356	364,117	2,438,765
Change in fair value of investment properties	–	713,922	–	–	–	–	713,922
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	175,922	–	–	–	–	–	175,922
Release of prepaid lease payments	13,879	–	–	–	1,973	–	15,852
Release of premium on prepaid lease payments	3,678	–	–	–	–	–	3,678
Amortisation of intangible assets	–	–	–	13,004	–	–	13,004
Depreciation of property, plant and equipment	36,887	4,185	155	28,764	55,759	–	125,750
Gain (loss) on disposal of property, plant and equipment	286	–	–	(604)	487	–	169
Allowance on bad and doubtful debts, net	14,877	–	–	29,627	–	–	44,504

Inter-segment revenues are charged at prevailing market rate.

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7. Revenue and Segment Information (continued)

Segment revenues, results, assets and other material items for 31 December 2014:

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Total RMB'000
External revenues	6,535,319	136,462	18,653	504,243	111,273	7,305,950
Inter-segment revenues	147,775	–	–	90,238	–	238,013
Segment result	1,854,053	637,038	17,234	299,063	5,323	2,812,711
Segment assets	26,161,619	6,875,227	11,731	1,203,359	955,256	35,207,192
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	73,249	2,139,128	689	10,594	623,839	2,847,499
Change in fair value of investment properties	–	575,840	–	–	–	575,840
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	95,665	–	–	–	–	95,665
Release of prepaid lease payments	22,308	–	–	–	1,937	24,245
Release of premium on prepaid lease payments	22,910	–	–	–	–	22,910
Amortisation of intangible assets	–	–	–	3,505	–	3,505
Depreciation of property, plant and equipment	21,496	6,475	–	8,639	54,046	90,656
Gain on disposal of property, plant and equipment	321	–	–	–	–	321
Reversal of allowance on bad and doubtful debts, net	28,599	–	–	11,054	–	39,653

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets comprise mainly additions to goodwill, property, plant and equipment and investment properties and exclude interests in associates and joint ventures, deposits paid for acquisition of land use rights, acquisition of subsidiaries and acquisition of a property project and deferred tax assets.

7. Revenue and Segment Information (continued)

Reconciliation:

	2015 RMB'000	2014 RMB'000
Revenue:		
Total revenue for operating and reportable segments	8,288,637	7,543,963
Elimination of inter-segment revenues	(124,340)	(238,013)
Group's total revenues	8,164,297	7,305,950
Total segment results	2,644,556	2,812,711
Elimination of inter-segment result	(20,720)	(68,860)
Unallocated amounts:		
Bank interest income	30,127	23,351
Net exchange loss	(233,559)	(50,514)
Change in fair value of option derivatives	6,917	–
Share-based payment expenses	(90,923)	(33,133)
Unallocated corporate expenses	(96,041)	(73,988)
Finance costs	(302,340)	(290,948)
Share of results of associates	626	56
Share of results of joint ventures	(7,324)	(12,663)
Gains on disposal of subsidiaries	790,039	223,707
Profit before tax	2,721,358	2,529,719

	2015 RMB'000	2014 RMB'000
Assets:		
Total assets for operating and reportable segments	38,936,275	35,207,192
Unallocated assets:		
Interests in associates	6,789	1,753
Interests in joint ventures	410,044	609,981
Financial assets designated as at FVTPL	19,200	–
Available-for-sale investment	–	38,910
Amounts due from related parties	184,782	–
Restricted/pledged bank deposits	1,336,482	914,596
Amount due from a joint venture	180,258	149,855
Bank balances and cash	2,881,511	3,738,040
Corporate assets	595,947	593,753
Group's total assets	44,551,288	41,254,080

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC.

During the years ended 31 December 2015 and 2014, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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7. Revenue and Segment Information (continued)

	2015 RMB'000	2014 RMB'000
Additions to non-current assets		
Reportable segment totals	2,438,765	2,847,499
Unallocated amount	6,747	8,864
Group's total	2,445,512	2,856,363
Other material items:		
Release of prepaid lease payments		
Reportable segment totals	15,852	24,245
Unallocated amount	–	343
	15,852	24,588
Release of premium on prepaid lease payments		
Reportable segment and Group's totals	3,678	22,910
Depreciation of property, plant and equipment		
Reportable segment totals	125,750	90,656
Unallocated amount	4,463	439
Group's total	130,213	91,095
Gain on disposal of property, plant and equipment		
Reportable segment and Group's totals	169	321
Allowance (reversal) on bad and doubtful debt, net		
Reportable segment and Group's totals	44,504	39,653
Amortisation of intangible assets		
Reportable Segment and Group's totals	13,004	3,505

8. Other Income, Gains and Losses

	2015 RMB'000	2014 RMB'000
Bank interest income	30,127	23,351
Change in fair value of option derivatives	6,917	–
Investment income from land development (note a)	67,239	–
Change in fair value of financial assets designated as at FVTPL	442	–
Unconditional government grants (note b)	10,223	571
Net exchange loss	(233,559)	(50,514)
Others	10,251	13,291
	(108,360)	(13,301)

Notes:

(a) The amount represents the project management income from the People's Government of Chengdu ("Chengdu Government") for the Land Development Project.

(b) The amount represents the grants received from the relevant PRC local governments to encourage the development of real estate industry and property management industry. The subsidies are unconditional and granted to the group on a discretionary basis.

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9. Finance Costs

	2015 RMB'000	2014 RMB'000
Interest on:		
– bank and other loans	383,066	369,496
– senior notes and bonds	887,481	768,529
– finance leases	4,447	8,759
– redeemable shares	–	655
– amount due to a non-controlling shareholder	48,581	141,099
	1,323,575	1,288,538
Less: Amount capitalised in properties under development for sale	(812,774)	(953,941)
Amount capitalised in investment properties under construction	(186,155)	(4,123)
Amount capitalised in construction in progress	(22,306)	(39,526)
	302,340	290,948

In 2015, certain amount of borrowing costs capitalised arose on the general borrowing pool and were calculated by applying the capitalisation rate of 13.8% per annum (2014: 11.76% per annum) to expenditures on qualifying assets.

10. Profit Before Tax

	2015 RMB'000	2014 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	17,344	20,274
Other staff's salaries and allowances	443,896	346,743
Retirement benefit scheme contributions	76,998	62,003
Share-based payments	90,327	30,548
Total staff costs	628,565	456,783
Less: Amount capitalised in properties under development for sale	(206,042)	(167,094)
	422,523	289,689
Auditor's remuneration	5,966	5,853
Release of prepaid lease payments	15,852	24,588
Release of premium on prepaid lease payments	3,678	22,910
Depreciation of property, plant and equipment	130,213	91,095
Amortisation of intangible assets	13,004	3,505
Gain on disposal of property, plant and equipment	(169)	(321)
Allowance on bad and doubtful debts, net	44,504	39,653
Listing expense of a non-wholly own subsidiary of the Company	–	16,282
Cost of properties sold recognised as an expense	4,726,772	4,091,116
Contract cost recognised as an expense	30,981	24,878
Rental expenses in respect of rented premises under operating leases	21,088	13,893
Gross rental income from investment properties	(182,886)	(136,462)
Less: direct operating expenses from investment properties that generated rental income	11,722	9,784
	(171,164)	(126,678)

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11. Income Tax Expense

	2015 RMB'000	2014 RMB'000
Current tax:		
PRC taxes		
Enterprise Income Tax ("EIT")	732,318	538,665
Land Appreciation Tax ("LAT")	342,468	382,487
	1,074,786	921,152
Deferred tax		
Current year	243,756	236,256
	1,318,542	1,157,408

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's PRC enterprise income tax is calculated based on the applicable tax rate on assessable profits, if applicable.

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

11. Income Tax Expense (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Notes	2015 RMB'000	2014 RMB'000
Profit before tax		2,721,358	2,529,719
Tax at PRC EIT rate of 25% (2014: 25%)	(a)	680,340	632,430
Tax effect of share of results of associates		(157)	(14)
Tax effect of share of results of joint ventures		1,831	3,166
Tax effect of income not taxable for tax purpose		(7,765)	(143)
Tax effect of expenses not deductible for tax purpose	(b)	161,399	90,602
Tax effect of tax losses not recognised		346,774	144,938
Utilisation of tax losses previously not recognised		(5,451)	(17,672)
LAT		342,468	382,487
Tax effect of LAT		(85,617)	(95,622)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions		(110,382)	(3,789)
Tax effect of tax rate differential of a PRC subsidiary	(c)	(6,494)	–
Others	(d)	1,596	21,025
Income tax expense for the year		1,318,542	1,157,408

Notes:

(a) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable enterprise income tax rate of those subsidiaries is 25%.

(b) The amounts for the years ended 31 December 2015 and 2014 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on senior notes, share option expense, exchange loss and professional fees.

(c) Under the law of Enterprise Income Tax and Implementation Rules of the People's Republic of China and approved by tax bureau, a PRC subsidiary is subject to statutory enterprise income tax beard on its respective deemed taxable income, which is at 10% of revenue in accordance with the applicable PRC tax regulations.

(d) The amounts for the years ended 31 December 2015 and 2014 mainly represent the tax effect of LAT on change in fair value of the Group's investment properties in the PRC upon sales of those investment properties.

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12. Directors', Chief Executive's and Employees' Remunerations

The emoluments paid or payable to the directors and the chief executive disclosed pursuant to the applicable Listing Rules and CO were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2015						
Executive directors:						
Pan Jun (潘軍) (note i)	–	3,940	220	54	188	4,402
Zeng Jie (曾寶寶)	–	3,940	220	54	188	4,402
Lam Kam Tong (林錦堂)	–	2,312	403	–	104	2,819
Zhou Jinquan (周錦泉)	–	1,586	384	60	–	2,030
Wang Liang (王亮) (note ii)	–	1,662	252	42	52	2,008
Non-executive directors:						
Li Dongsheng (李東生) (note iii)	240	–	–	–	–	240
Yuan Haodong (袁浩東) (note iii)	240	–	–	–	–	240
Independent non-executive directors:						
He Min (何敏)	240	–	–	–	30	270
Huang Ming (黃明)	240	–	–	–	30	270
Xu Quan (許權) (note v)	32	–	–	–	4	36
Liao Jianwen (廖建文) (note vi)	209	–	–	–	–	209
Wong Pui Sze (王沛詩) (note vi)	209	–	–	–	–	209
Guo Shaomu (郭少牧) (note vi)	209	–	–	–	–	209
	1,619	13,440	1,479	210	596	17,344
For the year ended 31 December 2014						
Executive directors:						
Pan Jun (潘軍) (note i)	–	2,442	–	54	746	3,242
Zeng Jie (曾寶寶)	–	2,506	–	53	746	3,305
Lam Kam Tong (林錦堂)	–	1,733	2,060	–	229	4,022
Zhou Jinquan (周錦泉)	–	1,644	2,028	54	–	3,726
Wang Liang (王亮) (note ii)	–	1,718	1,936	54	384	4,092
Non-executive directors:						
Li Dongsheng (李東生) (note iii)	240	–	–	–	–	240
Yuan Haodong (袁浩東) (note iii)	240	–	–	–	–	240
Independent non-executive directors:						
He Min (何敏)	240	–	–	–	120	360
Huang Ming (黃明)	240	–	–	–	120	360
Liao Changjiang (廖長江) (note iv)	211	–	–	–	120	331
Xu Quan (許權)	240	–	–	–	120	360
	1,411	10,043	6,024	215	2,585	20,278

12. Directors', Chief Executive's and Employees' Remunerations (continued)

Notes:

(i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Appointed on 6 January 2014 and resigned on 30 June 2015.

(iii) Appointed on 6 January 2014.

(iv) Resigned on 18 November 2014.

(v) Resigned on 17 February 2015.

(vi) Appointed on 17 February 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were manly for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Five highest paid employees

The five individuals with the highest emoluments in the Group included 3 (2014: 5) directors for the year ended 31 December 2015. Details of their emoluments are set out above. The emoluments of the remaining 2 (2014: nil) of the five highest paid individuals are as follows:

	2015 **RMB'000**	**2014** **RMB'000**
Salaries and allowances	5,530	–
Discretionary bonus	549	–
Retirement benefit scheme contributions	72	–
Share-based payments	104	–
	6,255	–

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12. Directors', Chief Executive's and Employees' Remunerations (continued)

Five highest paid employees (continued)
Their emoluments were within the following band:

	2015 No. of employees	2014 No. of employees
HKD3,000,001 to HKD3,500,000	1	–
HKD4,000,001 to HKD4,500,000	1	–

During the years ended 31 December 2015 and 2014, no remuneration was paid by the Group to any of the directors and Chief Executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and Chief Executive waived any remuneration for the years ended 31 December 2015 and 2014.

13. Dividends

	2015 RMB'000	2014 RMB'000
Dividends recognised as distribution during the year:		
2014 Final – HK5.39 cents		
(2014: 2013 final dividend HK6.68 cents) per share	245,012	306,054

Note: Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of HK5.00 cents, equivalent to RMB4.19 cents (2014: final dividend for the financial year ended 31 December 2014 of HK5.39 cents, equivalent to RMB4.36 cents) per share amounting to approximately RMB241,330,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

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14. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	1,210,610	1,255,341
Effect of dilutive potential ordinary shares:		
Share options – Colour Life	(40)	–
Earnings for the purpose of diluted earnings per share	1,210,570	1,255,341
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,759,214,304	5,743,200,974
Effect of dilutive potential ordinary shares		
Share options	4,122,311	5,218,237
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,763,336,615	5,748,419,211

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15. Property, Plant and Equipment

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014	418,925	135,114	35,950	113,682	262,615	92,348	1,058,634
Transfer from properties for sale	91,509	–	–	–	–	–	91,509
Transfer from investment properties (note 16)	–	33,130	–	–	–	–	33,130
Additions	237,000	10,010	52,464	27,054	12,086	270,443	609,057
Acquisition of subsidiaries (note 45(a) and (b))	–	3,314	4,266	5,223	2,249	–	15,052
Disposal of subsidiaries (note 46(a) and (b))	–	–	–	(937)	(444)	–	(1,381)
Transfer to investment properties (Note)	(5,009)	(155)	–	–	–	–	(5,164)
Disposals	–	–	(6,050)	(21,767)	(1,723)	–	(29,540)
At 31 December 2014	742,425	181,413	86,630	123,255	274,783	362,791	1,771,297
Transfer from properties for sale	54,565	–	–	–	–	–	54,565
Transfer from investment properties (note 16)	–	4,343	–	–	–	–	4,343
Transfer upon completion	449,091	–	–	45,658	–	(494,749)	–
Additions	–	–	78,366	47,635	16,497	303,733	446,231
Acquisition of subsidiaries (note 45(a) and (b))	–	87,671	2,956	8,089	1,956	–	100,672
Transfer to investment properties (Note)	(14,404)	(33,649)	–	–	–	–	(48,053)
Disposal of subsidiaries (note 46(a))	(113,889)	–	–	–	–	–	(113,889)
Disposals	(115,202)	(2,614)	(315)	(10,186)	(2,018)	–	(130,335)
At 31 December 2015	1,002,586	237,164	167,637	214,451	291,218	171,775	2,084,831
DEPRECIATION							
At 1 January 2014	42,425	22,520	21,765	49,483	17,200	–	153,393
Provided for the year	22,956	21,489	8,133	2,759	35,758	–	91,095
Eliminated on disposal of subsidiaries (note 46(a))	–	–	–	(88)	(40)	–	(128)
Eliminated on disposals	–	(656)	(740)	(11,607)	(1,860)	–	(14,863)
Transfer to investment properties (Note)	(82)	–	–	–	–	–	(82)
At 31 December 2014	65,299	43,353	29,158	40,547	51,058	–	229,415
Provided for the year	26,279	36,998	15,201	31,224	20,511	–	130,213
Transfer to investment properties (Note)	(2,366)	–	–	–	–	–	(2,366)
Eliminated on disposal of subsidiaries (note 46(a))	(30,018)	–	–	–	–	–	(30,018)
Eliminated on disposals	(2,503)	(48)	(315)	(4,702)	(1,714)	–	(9,282)
At 31 December 2015	56,691	80,303	44,044	67,069	69,855	–	317,962
CARRYING AMOUNTS							
At 31 December 2015	945,895	156,861	123,593	147,382	221,363	171,775	1,766,869
At 31 December 2014	677,126	138,060	57,472	82,708	223,725	362,791	1,541,882

Note: During the year ended 31 December 2015, buildings with carrying amount of RMB45,687,000 (2014: RMB5,082,000) were transferred to investment properties upon change in use as evidenced by commencement of operating leases. The excess of the fair value of these properties at the date of change in use over the carrying amounts, amounting to RMB11,876,000 (2014: RMB9,942,000) were recognised in other comprehensive income and accumulated in the property revaluation reserve and non-controlling interests in equity.

15. Property, Plant and Equipment (continued)

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease or 20 years
Buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvements	5 to 10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 to 15 years

As at 31 December 2015, certain of the Group's buildings and hotel buildings with carrying amounts of RMB741,470,000 (2014: RMB521,182,000) were pledged to banks to secure certain banking facilities granted to the Group.

As at 31 December 2015, transportation equipment amounting to RMB204,255,000 (2014: RMB205,903,000) are held under finance lease.

16. Investment Properties

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2014	3,294,907	717,921	4,012,828
Additions	44,596	612,254	656,850
Transfer from prepaid lease payments (note 22)	–	504,266	504,266
Transfer from premium on prepaid lease payments (note 23)	–	154,569	154,569
Transfer from completed properties for sale (note 29)	602,110	–	602,110
Transfer from property, plant and equipment (note 15)	15,024	–	15,024
Net change in fair value recognised in profit or loss	25,094	550,746	575,840
Acquisition of subsidiaries (note 45(a))	165,932	–	165,932
Transfer upon completion of construction work	531,161	(531,161)	–
Disposals	(12,214)	–	(12,214)
Transfer to property, plant and equipment (note 15)	(33,130)	–	(33,130)
At 31 December 2014	4,633,480	2,008,595	6,642,075
Additions	3,011	787,462	790,473
Transfer from completed properties for sale (note 29)	345,729	–	345,729
Transfer from property, plant and equipment (note 15)	57,563	–	57,563
Acquisition of subsidiaries (note 45(a) and (b))	139,694	–	139,694
Net change in fair value recognised in profit or loss	254,767	459,120	713,887
Transfer upon completion of construction work	364,475	(364,475)	–
Transfer to property, plant and equipment (note 15)	(4,343)	–	(4,343)
Disposal of subsidiaries (note 46(a))	(1,060,654)	(728,820)	(1,789,474)
Disposals	(10,673)	–	(10,673)
At 31 December 2015	4,723,049	2,161,882	6,884,931

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16. Investment Properties (continued)

As at 31 December 2015, the fair value of the Group's completed investment properties of RMB4,723,049,000 (2014: RMB4,633,480,000) and investment properties under development of RMB2,161,882,000 (2014: RMB2,008,595,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, an independent qualified professional valuers not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties are determined by both income capitalisation approach and comparison approach which is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction are arrived at by residual method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development. Direct comparison approach is arrived at by reference to comparable market transactions and presuppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors.

In estimating the fair value of the properties, highest and best use of the properties is their current use.

As at 31 December 2015, investment properties with fair value of RMB582,498,000 (2014: RMB710,559,000) represent completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied according to the relevant laws and regulations in the PRC.

As at 31 December 2015, certain of the Group's investment properties with an aggregate fair value of RMB736,349,000 (2014: RMB3,644,819,000) were pledged to banks to secure the banking facilities granted to the Group.

All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2015 and 2014 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

16. Investment Properties (continued)

Investment properties held by the Group	Fair value as at 31 December 2015 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range
Completed investment properties	4,100,912	Shenzhen, Tianjin, Chengdu, Nanjing	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield (the higher of the term yield, the lower of the fair value)	2.0% – 6.0%
					2. Reversionary yield (the higher of the reversionary yield, the lower of the fair value)	2.3% – 6.5%
					3. Vacancy ratio (the higher of vacancy, the lower of the fair value)	0.0% – 20%
Completed investment properties	622,137	Guilin, Shenzhen	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	N/A	N/A
Investment properties under construction	2,074,050	Nanjing, Tianjin, Suzhou	Level 3	Residual method – based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development.	1. Contingency (the higher of the contingency, the lower of the fair value)	5%
					2. Developer's profit (the higher of the developer's profit, the lower of the fair value)	20%
					3. Marketing costs (the higher of the marketing costs, the lower of the fair value)	3%
					4. Future construction costs for completion (the higher of the future construction costs, the lower of the fair value	N/A
					5. Gross development value (RMB64/M) (the higher of the gross development value, the higher of the fair value)	RMB5,700 – RMB14,240
Investment properties under construction	87,832	Chengdu	Level 2	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm) (the higher of the market unit sales rate, the higher of the fair value)	RMB1,400
	6,884,931					

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16. Investment Properties (continued)

Investment properties held by the Group	Fair value as at 31 December 2014 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range
Completed investment properties	4,579,312	Shenzhen, Tianjin, Chengdu, Nanjing	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield (the higher of the term yield, the lower of the fair value)	2.0% – 5.0%
					2. Reversionary yield (the higher of the reversionary yield, the lower of the fair value)	2.3% – 6.0%
					3. Vacancy ratio (the higher of vacancy, the lower of the fair value)	0.0% – 8.0%
Completed investment properties	54,168	Guilin, Shenzhen	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	N/A	N/A
Investment properties under construction	1,390,599	Tianjin, Suzhou	Level 3	Residual method – based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development.	1. Contingency (the higher of the contingency, the lower of the fair value)	5%
					2. Developer's profit (the higher of the developer's profit, the lower of the fair value)	10%
					3. Marketing costs (the higher of the marketing costs, the lower of the fair value)	2%
					4. Future construction costs for completion (the higher of the future construction costs, the lower of the fair value	N/A
					5. Gross development value (RMB64/M) (the higher of the gross development value, the higher of the fair value)	RMB5,000 – RMB9,200
Investment properties under construction	617,996	Chengdu	Level 2	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm) (the higher of the market unit sales rate, the higher of the fair value)	RMB5,600 – RMB13,000
	6,642,075					

During the year ended 31 December 2015, there were investment properties amounting to RMB415,560,000 (2014: RMB107,335,000) transferred out of Level 3 to Level 2 upon completion of construction work. There were no transfers into Level 3 during the years ended 31 December 2015 and 31 December 2014.

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17. Interests in Associates

	2015 RMB'000	2014 RMB'000
Cost of investments, unlisted	5,400	990
Share of post-acquisition results and other comprehensive income, net of dividends received	1,389	763
	6,789	1,753

As at 31 December 2015 and 2014, the Group had interests in the following associates:

Name of associates	Registered capital/ share capital	Equity interest attributable to the Group	Principal activities
Shenzhen Yuezhong Property Management Co., Ltd. 深圳市越眾物業管理有限公司	RMB1,000,000	50%	Property management
Shenzhen Qianhai House Keeper Network Service Co., Ltd. 深圳市前海房管家服務有限公司	RMB10,000,000 (2014: RMB1,000,000)	49%	Property management
Capitalrise Investment Pte. Ltd. 新加坡置富投資有限公司	SGD100	29%	Inactive

In the opinion of the directors of the Company, no associate is individually material to the Group.

18. Interests in Joint Ventures

	2015 RMB'000	2014 RMB'000
Cost of investments, unlisted	429,816	628,132
Share of post-acquisition results and other comprehensive income, net of dividends received	(19,772)	(18,151)
	410,044	609,981

18. Interests in Joint Ventures (continued)

As at 31 December 2015 and 2014, the Group had interests in the following joint ventures:

Name of joint ventures	Total capital amount injected by investors	Group's capital contribution over total capital injected by investors 2015	2014	Principal activities
南京中儲房地產開發有限公司 Nanjing Zhongchu Property Development Co., Ltd. ("Zhongchu") (note a)	RMB240,000,000	60.0%	60.0%	Property development in PRC
Fantasia (Novena) Pte. Ltd. ("Novena") (note a)	SGD1,000,000	90.0%	90.0%	Property development in Singapore
TCL伊托邦(武漢)城市建設投資有限公司 TCL Yituobang (Wuhan) City Construction in PRC Investment Co., Ltd. ("Yituobang") (note a)	RMB20,000,000	50.0%	50.0%	Property development
寧波世紀華豐房產有限公司 Ningbo Century Huafeng Property Co., Ltd. ("Huafeng")	RMB427,500,000	(note b)	49.0%	Property development in PRC

Notes:

(a) According to the Articles of Association of Zhongchu, Novena and Yituobang, all operating and financing decisions of these joint ventures require unanimous consent and approval from the shareholders including the Group and the other joint venture party.

(b) On 31 March 2015, the Group further acquired 51% equity interest in Huafeng due to cancellation of the disposal transaction in 2014, and details of related acquisition are disclosed in note 45(a). Huafeng became a wholly-owned subsidiary of the Company since the acquisition date.

The principal activities of the above joint ventures are strategic to the Group to continue with the expansion of the Group's property development operation.

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

All of these joint ventures are accounted for using the equity method in these consolidated financial statements.

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18. Interests in Joint Ventures (continued)

Zhongchu

	2015 RMB'000	2014 RMB'000
Current assets	3,029,584	2,752,641
Non-current assets	339	383
The above amounts of assets include the followings:		
Property, plant and equipment	339	383
Properties under development for sale	1,805,756	1,127,542
Trade and other receivables	161,235	645,245
Amounts due from certain subsidiaries of the Company	1,023,916	962,387
Bank balances and cash	38,677	17,467
Current liabilities	2,437,031	2,152,909
The above amounts of liabilities include the following:		
Trade and other payables	2,437,031	2,152,909
Loss and total comprehensive expense for the year	7,223	2,880

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Net assets of the joint venture	592,892	600,115
Proportion of the Group's ownership interest in Zhongchu	60.0%	60.0%
Carrying amount of the Group's interest in Zhongchu	355,735	360,069

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18. Interests in Joint Ventures (continued)

Novena

	2015 RMB'000	2014 RMB'000
Current assets	867,849	809,158
The above amounts of assets mainly include the followings:		
Properties under development for sale	867,261	807,421
Bank balances and cash	1,115	1,737
Prepayment	8,473	–
Current liabilities	305,525	238,861
Non-current liabilities	513,098	518,925
The above amounts of liabilities mainly include the followings:		
Trade and other payables	46,087	66,573
Deposits received for sale of properties	79,180	22,433
Amounts due to the certain subsidiaries of the Company	180,258	149,855
Borrowings	513,098	518,925
Loss and total comprehensive expense for the year	2,146	6,001

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

Net assets of the joint venture	49,226	51,372
Proportion of the Group's ownership interest in Novena	90.0%	90.0%
Carrying amount of the Group's interest in Novena	44,303	46,235

19. Available-For-Sale Investment

The investment represented 10% equity investment in unlisted equity security issued by a private entity incorporated in the PRC. Its principal activity is property development in PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. On 8 January 2015, the Group disposed of its AFS investment through the disposal of the entire equity interests of its holding companies to an independent third party with detail disclosed in note 46(a)(i).

20. Goodwill

	RMB'000
COST	
At 1 January 2014	110,783
Arising on acquisition of businesses (note 45(b))	54,651
At 31 December 2014	165,434
Arising on acquisition of businesses (note 45(b))	599,631
At 31 December 2015	765,065
IMPAIRMENT	
At 1 January 2014, 31 December 2014 and 2015	31,516
CARRYING AMOUNTS	
At 31 December 2015	733,549
At 31 December 2014	133,918

During the years ended 31 December 2015, the Group acquired a number of subsidiaries from independent third parties at total cash consideration of RMB910,327,000. The principal activities of the acquirees are mainly provision of travel agency services and property operation services. Details of related acquisitions are disclosed in note 45(b).

Goodwill acquired in business combinations is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from those business combinations.

During the year ended 31 December 2015 and 2014, management of the Group determined that there is no impairment of its CGU containing goodwill for the acquisition of businesses.

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21. Intangible Assets

	Property management contracts and customer relationship RMB'000	Trademark RMB'000	Total RMB'000
COST			
At 1 January 2014	1,813	–	1,813
Arising on acquisition of subsidiaries (note 45(b))	29,448	–	29,448
At 31 December 2014	31,261	–	31,261
Arising on acquisition of subsidiaries (note 45(b))	138,187	52,441	190,628
At 31 December 2015	169,448	52,441	221,889
AMORTISATION			
At 1 January 2014	906	–	906
Charge for the year	3,505	–	3,505
At 31 December 2014	4,411	–	4,411
Charge for the year	13,004	–	13,004
At 31 December 2015	17,415	–	17,415
CARRYING AMOUNT			
At 31 December 2015	152,033	52,441	204,474
At 31 December 2014	26,850		26,850

The property management contracts, customer relationship and trade mark were acquired from independent third parties through the acquisition of subsidiaries during the years ended 31 December 2015 and 2014.

The above intangible assets have finite useful lives and are amortised on a straight line basis over the remaining contract term ranging from 54 months to 180 months.

22. Prepaid Lease Payments

	2015 RMB'000	2014 RMB'000
Non-current assets	868,698	884,550
Current assets	34,274	34,274
	902,972	918,824

As at 31 December 2015, certain of the Group's prepaid lease payments with a carrying amount of RMB435,475,000 (2014: RMB718,467,000) were pledged to banks to secure the banking facilities granted to the Group.

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23. Premium on Prepaid Lease Payments

Premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments and amounting to RMB175,847,000 (2014: RMB179,525,000) in respect of leasehold lands in the PRC under long-term lease acquired through acquisition of subsidiaries during the year and are amortised over the period of the remaining lease term on a straight-line basis.

	RMB'000
COST	
At 1 January 2014	429,141
Transfer to properties under development for sale	(45,412)
Transfer to investment properties under construction (note 16)	(179,353)
At 31 December 2014 and 2015	204,376
AMORTISATION	
At 1 January 2014	28,256
Amortised for the year	22,910
Eliminated on transfer to properties under development for sale	(1,531)
Eliminated on transfer to investment properties under construction (note 16)	(24,784)
At 31 December 2014	24,851
Amortised for the year	3,678
At 31 December 2015	28,529
CARRYING AMOUNTS	
At 31 December 2015	175,847
At 31 December 2014	179,525

Analysed for reporting purposes as:

	2015 **RMB'000**	**2014** **RMB'000**
Non-current assets	172,169	175,847
Current assets	3,678	3,678
	175,847	179,525

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24. Land Development Expenditure

In March 2011, the Group entered into an agreement ("Agreement 1") with Chengdu Government relating to the development of the Wu Gui Qiao Town located in Jinjiang area, Chengdu, Sichuan Province ("Land Development Project"). Under the Agreement 1, the Group is required to jointly construct the ancillary facilities on these parcels of land pursuant to the guidelines set by the Chengdu Government while the Chengdu Government is required to complete the demolition and resettlement work, arrange public auction and pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 1.

In March 2015, the Group entered into an agreement ("Agreement 2") with Chengdu Government by the government relating to the cancellation of the Agreement 1 and revision of the terms of the Land Development Project. Under the Agreement 2, the Chengdu Government is required to return the cost incurred for constructing the ancillary facilities and pay the project management fee at 5% per annum based on the accumulated costs incurred by the Group by instalments as stipulated in the Agreement 2. During the year ended 31 December 2015, RMB315,930,000 has been settled by Chengdu Government.

The outstanding balance of RMB419,274,000 which represented the accumulated costs amounting to RMB352,035,000 incurred on the Land Development Project after deduction of the refund received from Chengdu Government and project management income amounting to RMB67,239,000 was reclassified to other receivables during the year ended 31 December 2015. Pursuant to the Agreement 2, Chengdu Government will settle the aforesaid receivables in 2016.

The movements of land development expenditure during the year are as follows:

	RMB'000
At 1 January 2015	667,965
Investment income from Chengdu Government	67,239
Repayment from Chengdu Government	(315,930)
Transfer to other receivables (note 30)	(419,274)
At 31 December 2015	–

25. Deposits Paid for Acquisition of Subsidiaries

As at 31 December 2015, the Group had made deposits of RMB124,593,000 (2014: RMB119,889,000) in relation to the acquisition of parcels of land through acquisition of Yunnan Zhongfucheng Property Development Co., Limited 雲南眾福成房地產開發有限公司 ("Yunnan Zhongfucheng") from an independent third party. The aforesaid company is principally engaged in property development in the PRC.

As at 31 December 2015, the Group had made deposits of RMB106,736,000 (2014: RMB142,661,000) in relation to the acquisition of a number of companies which are principally engaged in property operation in the PRC from independent third parties. According to the sale and purchase agreements, in case of incompletion of the acquisitions, the deposits paid will be fully refunded to the Group.

26. Deposit Paid for Acquisition of a Property Project

As at 31 December 2015, the Group had made deposit of RMB140,946,000 (2014: RMB136,648,000) in relation to the acquisition of a property project from an independent property developer.

The aforesaid deposit relates to acquisition of a building for hotel operations and is therefore classified as non-current assets.

At the date these consolidated financial statements were authorised for issue, the acquisition of the property project has not been completed.

27. Deposits Paid for Acquisition of Land Use Rights

As at 31 December 2015, the Group had made deposits of RMB1,050,077,000 in relation to acquisition of land use rights from third parties (2014: RMB1,005,685,000). In the opinion of the directors of the Company, the aforesaid transactions are expected to be completed within twelve months from the end of the reporting period.

28. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Fair value change of investment properties RMB'000	Revaluation of investment properties and other properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Intangible assets RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2014	813,471	20,474	(30,708)	(118,786)	226	(358,215)	326,462
Charge to other comprehensive income	–	2,485	–	–	–	–	2,485
Acquisition of subsidiaries (note 45(a) and (b))	19,294	–	(4,029)	(7,444)	7,362	2,508	17,691
Charge (credit) to profit or loss	324,462	–	(12,737)	(60,456)	(876)	(14,137)	236,256
Disposal of subsidiaries (note 46(a) and (c))	–	–	4,105	12,785	–	(2,343)	14,547
At 31 December 2014	1,157,227	22,959	(43,369)	(173,901)	6,712	(372,187)	597,441
Charge to other comprehensive income	–	2,969	–	–	–	–	2,969
Acquisition of subsidiaries (note 45(a) and (b))	14,065	12,139	(2,099)	(1,151)	43,199	(5,902)	60,251
Charge (credit) to profit or loss	265,841	–	(3,429)	6,467	(3,251)	(21,872)	243,756
Disposal of subsidiaries (note 46(a))	(287,202)	(8,093)	–	75	–	–	(295,220)
At 31 December 2015	1,149,931	29,974	(48,897)	(168,510)	46,660	(399,961)	609,197

Note: Others mainly represent the deductible temporary difference arising from LAT provision.

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28. Deferred Taxation (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	(462,161)	(498,714)
Deferred tax liabilities	1,071,358	1,096,155
	609,197	597,441

As at 31 December 2015, the Group had unutilised tax losses of RMB3,065,202,000 (2014: RMB2,118,150,000). A deferred tax asset has been recognised in respect of RMB674,040,000 (2014: RMB695,604,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,391,162,000 (2014: RMB1,422,546,000) due to the unpredictability of future profits streams.

As at 31 December 2015, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was RMB7,582,886,000 (2014: RMB7,324,895,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

29. Properties for Sale

	2015 RMB'000	2014 RMB'000
Completed properties for sale	5,393,480	6,266,564
Properties under development for sale	16,408,168	13,175,952
	21,801,648	19,442,516

As at 31 December 2015, certain of the Group's properties for sale with a carrying amount of RMB1,960,608,000 (2014: RMB5,832,326,000) were pledged to secure certain banking facilities granted to the Group.

During the year ended 31 December 2015, completed properties for sale with an aggregate carrying amount of RMB169,807,000 (2014: RMB506,445,000) were transferred to investment properties upon change in use as evidenced by signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to RMB175,922,000 (2014: RMB95,665,000) were recognised in the consolidated statement of profit or loss and other comprehensive income.

Included in the amount are properties under development for sale of RMB8,608,294,000 (2014: RMB7,389,330,000) in relation to property development projects that are expected to complete after one year from the end of the reporting period.

30. Trade and Other Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	1,317,151	1,034,555
Other receivables (note a)	362,730	321,438
Prepayments and other deposits	186,946	103,146
Prepayments for suppliers	165,829	187,386
Prepayments for construction work	1,029,565	1,262,129
Consideration receivables on disposal of subsidiaries (note 46(a))	761,000	286,446
Amount due from Pixian Government (note b)	135,989	135,989
Amount due from Chengdu Government (note 24)	419,274	–
Other tax prepayments (note c)	225,563	173,613
Consideration receivables on disposal of partial interests in subsidiaries resulting in loss of control	–	206,410
Consideration receivables on disposal of partial interests in subsidiaries without loss of control	–	162,250
	4,604,047	3,873,362

Note:

(a) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation segment.

(b) In September 2009, the Group entered into an agreement ("Agreement 1") with Pixian Government relating to the joint development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province ("Land Development Project 2"). Under the Agreement 1, the Group is responsible for preparing overall plans and detailed designs of the culture park as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work, arrange public auction and pay certain percentage of sale proceeds received in public auction and pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 1.

During the year ended 31 December 2013, the Group entered into an agreement ("Agreement 2") with Pixian Government relating to the cancellation of the Agreement 1 and revision of the terms of the Land Development Project 2. Under the Agreement 2, the Group is responsible for provision of funds to Pixian Government and management of the Land Development Project 2 to Pixian Government while the Pixian Government is required to repay finance cost at Benchmark Rate, investment income at 12% per annum and project management fee at 3% per annum based on the accumulated cost incurred by the Group as stipulated in the formula setout in the Agreement 2, before the execution of Agreement 2.

As at 31 December 2015, the balance of investment income amounting to RMB135,989,000 is required to be settled on or before 31 December 2016. The principal amounting to RMB376,841,000 is required to be settled upon the land are disposed by Pixian Government which is classified as non-current assets.

(c) During the year ended 31 December 2015, the Group is required to prepay business tax amounting to RMB269,625,000 (2014: RMB188,054,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. As at 31 December 2015, RMB218,691,000 (2014: RMB168,946,000) has been prepaid and included in other tax prepayments.

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30. Trade and Other Receivables (continued)

Trade receivables are mainly arisen form sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, services and management income in respect of property management.

Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and services fee income is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property management services has a designated credit limit.

Hotel operation and travel agency service income are in the from of cash sales.

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the date of delivery of the properties to the customers at the end of the reporting period:

	2015 **RMB'000**	**2014** **RMB'000**
0 to 30 days	865,758	617,505
31 to 90 days	126,749	101,979
91 to 180 days	118,624	72,856
181 to 365 days	105,263	141,341
Over 1 year	100,757	100,874
	1,317,151	1,034,555

The trade receivables as at 31 December 2015 included the receivables from the property sales of RMB469,365,000 (2014: RMB343,772,000) whereby the banks have agreed to provide mortgage facilities to the property purchasers and the banks are in the process of releasing the funds to the Group.

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30. Trade and Other Receivables (continued)

For property investment and property operation services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

As at 31 December 2015, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB359,036,000 (2014: RMB315,071,000) which are past due for which the Group has not provided impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2015 RMB'000	2014 RMB'000
91 to 180 days	118,624	72,856
181 to 365 days	105,263	141,341
Over 1 year	100,757	100,874
	324,644	315,071

Movement in the allowance for doubtful debts in respect of trade and other receivables

	2015 RMB'000	2014 RMB'000
Balance at the beginning of the year	48,755	9,102
Impairment losses recognised	48,874	44,697
Impairment losses reversed	(4,370)	(5,044)
Balance at the end of the year	93,259	48,755

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31. Amounts Due from Customers for Contract Works

	2015 RMB'000	2014 RMB'000
Contract costs incurred plus recognised profits less recognised losses	368,733	363,489
Less: progress billings	(296,937)	(312,224)
	71,796	51,265
Analysed for reporting purposes as:		
Amounts due from customers for contract works	88,937	59,460
Amounts due to customers for contract works	(17,141)	(8,195)
	71,796	51,265

Retentions held by customers for contract works for installation contracts was included in trade receivables as at 31 December 2015 and 2014. No significant advance was received from customers prior to commencement of contract works as at 31 December 2015 and 2014.

32. Amount Due from a Joint Venture

As at 31 December 2015, the balance of amount due from a joint venture, Novena, amounting to RMB180,258,000 (2014: RMB149,855,000), represents receivables from the joint venture and is non-trade in nature, unsecured, interest-free and repayable on demand.

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33. Amounts Due from Related Parties

Amounts due from:	Notes	2015 RMB'000	2014 RMB'000
Shenzhen Cube Architecture Designing Consultants Company Limited "Cube Architecture"	(a)	1,124	–
Shenzhen Caifubao Network Technology Company Limited "Shenzhen Caifubao "	(b)	183,658	–
		184,782	–

Notes:

(a) One of the shareholder of Cube Architecture is a company controlled by Ms. Zeng Jie, Baby who is the controlling shareholder and director of the Company. Cube Architecture provided design service for certain property projects of the Group. The amount is trade in nature, unsecured, interest-free and payable according to the credit term. The aging of the balance is within 90 days.

(b) Pan Jun, a director and the chief executive officer of the Company, is the controlling shareholder of Shenzhen Caifubao. The cash advance by the Group to Shenzhen Caifubao is non-trade in nature, unsecured, interest-free and repayable one demand.

34. Financial Assets Designated as at FVTPL

During the year ended 31 December 2015, the Group invested in money market funds issued by a reputable securities corporation through acquisition of Shenzhen Kaiyuan International Property Management Co., Ltd. ("Shenzhen Kaiyuan"). The return and principal were not guaranteed by the securities corporation and the value of the funds varies by reference to the performance of the underlying investments comprising mainly debt investments in PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits. The investments in money market funds have been designated as at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis. As at 31 December 2015, the principal of the investments in the money market funds are RMB19,200,000 (2014: nil). In the opinion of directors, the fair value of investment at 31 December 2015 approximated to their principal amounts.

For the year ended 31 December 2015

35. Restricted/Pledged Bank Deposits/Bank Balances and Cash

Restricted/pledged bank deposits

The deposits carry interest rates ranging from 0.3% to 0.4% (2014: 0.4% to 0.5%) per annum. The restricted/pledged bank deposits amounting to RMB510,832,000 (2014: RMB272,741,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount of RMB137,209,000 (2014: RMB145,211,000) are proceeded from presale of properties with the restriction of use for settlement of construction costs for relevant property projects. The term deposits amounting to RMB688,441,000 (2014: RMB496,644,000) were pledged to banks to secure the short term banking facilities granted to the Group.

Bank balances and cash

The bank balances carry variable interest rates ranging from 0.3% to 2.8% (2014: 0.4% to 2.3%) per annum.

As at 31 December 2015, bank balances of the relevant group entities denominated in foreign currencies as below:

	2015	**2014**
	RMB'000	**RMB'000**
USD	24,247	60,413
HKD	84,189	318,722
SGD	4,818	243
JPY	1,434	3,366

36. Trade and Other Payables

		2015	**2014**
	Notes	**RMB'000**	**RMB'000**
Trade payables		4,530,755	3,706,547
Deposit received	(a)	587,197	183,996
Other payables	(b)	901,313	891,659
Other tax payables		188,376	137,307
Accrued staff costs		215,566	105,508
Retention payables	(c)	7,234	6,870
Consideration payables (note 45(b))		138,127	426,297
Accruals		58,360	57,959
		6,626,928	5,516,143

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials ranged from six months to one year.

36. Trade and Other Payables (continued)

The following is an aged analysis of the Group's trade payables and retention payables presented based on the invoice date at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
0 to 60 days	2,012,493	2,774,979
61 to 180 days	771,978	260,645
181 to 365 days	1,088,540	507,270
1–2 years	575,877	118,654
2–3 years	85,096	11,014
Over 3 years	4,005	40,855
	4,537,989	3,713,417

Notes:

(a) The balance of deposits received amounting to RMB517,197,000 (2014: RMB183,996,000) mainly represent the earnest money received from potential property buyers. The deposit received at 31 December 2015 also included the cash receipt from certain independent potential investors of a subsidiary of the Company amounting to RMB70,000,000.

(b) The balance of other payables mainly includes 1) receipt on behalf of residents amounting to RMB157,581,000 (2014: RMB105,648,000), 2) advances for settlement of property management service fees amounting to RMB78,837,000 (2014: RMB14,273,000).

(c) As at December 2015, the balance of RMB7,234,000 (2014: RMB6,870,000) represents the retention money of approximately 5% to 10% of the construction contract price.

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37. Amount Due to a Non-Controlling Shareholder

During the year ended 31 December 2014, the Group acquired Huizhou TCL Property Development Company Limited 惠州TCL房地產開發有限公司 ("Huizhou TCL") from TCL Corporation and two other independent third parties at a consideration of RMB1,905,053,000. The consideration of RMB939,525,000 has been settled by the issuance of 863,600,074 ordinary shares of the Company to TCL Corporation, and the remaining consideration of RMB965,528,000 will be payable within 3 years. At 31 December 2015, TCL Corporation owns 15% shareholding in the Company.

According to the sales and purchase agreements, the remaining consideration due to TCL Corporation is interest bearing at 10.58% per annum and to be settled by three instalments and the last instalment to be settled before 6 January 2017, the unpaid consideration payables as at 31 December 2015 are as follows:

	RMB'000
Consideration payables at date of acquisition	965,528
Interest expense	141,099
At 1 January 2015	1,106,627
Interest expenses	48,581
Repayment	(435,288)
At 31 December 2015	719,920
Repayable within one year	390,199
Repayable after one year	329,721
	719,920

38. Amounts Due to Joint Ventures

As at 31 December 2015, the amounts due to Zhongchu amounting to RMB1,023,916,000 (2014: RMB962,387,000), Yituobang amounting to RMB10,000,000 (2014: RMB10,000,000) and Huafeng amounting to nil (2014: RMB24,080,000) represent advances from these joint ventures and are unsecured, interest-free and repayable on demand.

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39. Borrowings

	Notes	2015 RMB'000	2014 RMB'000
Bank loans		3,164,412	6,174,400
Other loans	(a)	800,000	1,600,000
		3,964,412	7,774,400
Secured	(b)	3,914,412	7,636,242
Unsecured		50,000	138,158
		3,964,412	7,774,400
Carrying amount repayable:	(c)		
Within one year		1,407,598	4,122,925
More than one year, but not exceeding two years		1,225,488	1,867,361
More than two years, but not exceeding five years		1,242,871	927,821
More than five years		88,455	856,293
Total borrowings		3,964,412	7,774,400
Less: Amounts due within one year shown under current liabilities		(1,407,598)	(4,122,925)
Borrowings due after one year		2,556,814	3,651,475

Notes:

(a) Other loans amounting to RMB800,000,000 (2014: RMB1,600,000,000) represent loans provided by certain trust companies, which are secured by property, plant and equipment, investment properties and properties for sale, carry interest at the fixed rate of 12.0% (2014: 9.5%) per annum. The loan balance as at 31 December 2015 will be fully repaid within 2018.

(b) As at 31 December 2015, certain directors of the Company provided joint guarantees to the banks and trust companies to secure the Group's bank and other borrowings amounting to RMB247,000,000 (2014: RMB59,640,000) in aggregate.

(c) The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2015, all borrowings are denominated in RMB except that secured borrowings amounting to RMB332,708,000 (2014: RMB136,577,000) and RMB39,530,000 (2014: RMB42,413,000) are denominated in USD and JPY respectively, the functional currencies of relevant group entities.

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39. Borrowings (continued)

The analysis of the Group's fixed-rate borrowings based on their contractual maturity dates (or reset dates) is as follows:

	2015 RMB'000	2014 RMB'000
Fixed-rate borrowings:		
Within one year	30,099	1,854,542
More than one year, but not exceeding two years	–	244,791
More than two years, but not exceeding five years	801,148	2,221
More than five years	38,455	227,373
	869,702	2,328,927

In addition, the Group has variable-rate borrowings which carry interest linked to LIBOR, HIBOR and Benchmark Rate. Interest is reset every six months. The analysis of the Group's variable-rate borrowings based on their contractual maturity dates are as follows:

	2015 RMB'000	2014 RMB'000
Variable-rate borrowings:		
Within one year	1,377,499	2,268,383
More than one year, but not exceeding two years	1,225,488	1,622,570
More than two years, but not exceeding five years	441,723	925,600
More than five years	50,000	628,920
	3,094,710	5,445,473

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	2015	2014
Effective interest rate:		
Fixed-rate borrowings	7.4% to 12.0% per annum	9.5% per annum
Variable-rate borrowings		
LIBOR	+2.0% per annum	+2.0% per annum
Benchmark Rate	–0.1% to +3.6% per annum	–0.1% to +3.3% per annum
Benchmark Deposit Rate of the People's Bank of China	+1.8% per annum	–

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40. Obligations Under Finance Leases

It is the Group's policy to lease certain of its transportation equipment under finance leases. The average lease term is 6 years (2014: 7 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging 4.2% (2014: 4.2%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Amounts payable under finance leases				
Within one year	26,922	26,235	22,101	20,826
More than one year but not more than two years	26,004	25,369	21,691	20,426
More than two years but not more than five years	72,502	70,915	66,713	62,878
More than five years	16,920	37,771	16,575	36,445
	142,348	160,290	127,080	140,575
Less: future finance charge	(15,268)	(19,715)	–	–
Present value of lease obligations	127,080	140,575	127,080	140,575
Less: Amount due for settlement within twelve months shown under current liabilities			(22,101)	(20,826)
Amount due for settlement after twelve months			104,979	119,749

Finance lease obligations are denominated in USD, which is the foreign currency of the relevant group entity and secured by the leased asset.

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41. Senior Notes and Bonds

	Notes	2015 RMB'000	2014 RMB'000
2010 senior notes due 2015	(a)	–	746,051
2012 senior notes due 2017	(b)	1,634,145	1,557,925
2013 – January senior notes due 2020	(c)	1,644,646	1,572,291
2013 – May senior notes due 2016	(d)	1,004,105	996,332
2014 senior notes due 2019	(e)	1,982,577	1,895,533
2015 – May senior notes due 2018	(f)	1,258,302	–
2015 – domestic corporate bonds due 2021	(g)	1,988,804	–
		9,512,579	6,768,132
Less: amounts due within one year included in current liabilities		(1,004,105)	(746,051)
Amounts due after one year included in non-current liabilities		8,508,474	6,022,081

Notes:

(a) 2010 senior notes
During the year ended 31 December 2015, the Company repaid guaranteed senior notes in an aggregate principal amount together with all accrued interest of RMB795,926,000.

(b) 2012 senior notes
On 27 September 2012, the Company issued senior notes in an aggregate principal amount of US$250,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.5% of the principal amount of the senior notes. The senior notes are listed on the SGX. The senior notes carry interest of 13.8% per annum and interest is payable semi-annually on 27 March and 27 September in arrears. The notes will mature on 27 September 2017, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 20 September 2012 ("Applicable Premium 2") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 2 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 27 September 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 27 September 2015, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 113.8% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The senior notes contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.9% per annum to the liability component since the senior notes were issued.

41. Senior Notes and Bonds (continued)

Notes: (continued)

(b) 2012 senior notes (continued)

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2014 and 2015.

(c) 2013 – January senior notes

On 22 January 2013, the Company issued guaranteed senior notes in an aggregate principal amount of US$250,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.75% per annum and interest is payable semi-annually on 22 January and 22 July in arrears. The senior notes will mature on 22 January 2020, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 22 January 2013 ("Applicable Premium 3") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 3 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 22 January 2020 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time on or after 22 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 100% percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 22 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Period	**Redemption price**
22 January 2017–21 January 2018	105.3750%
22 January 2018–21 January 2019	102.6875%
22 January 2019 and thereafter	100.0000%

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41. Senior Notes and Bonds (continued)

Notes: (continued)

(c) 2013 – January senior notes (continued)
The senior notes contain a liability component and the above early redemption options:

(a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.6% per annum to the liability component since the senior notes were issued.

(b) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2014 and 2015.

(d) 2013 – May senior notes
On 27 May 2013, the Company issued guaranteed senior notes in an aggregate principal amount of RMB1,000,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 7.875% per annum and interest is payable semi-annually on 27 November and 27 May in arrears. The senior notes will mature on 27 May 2016, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2013 ("Applicable Premium 4") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 4 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 27 May 2016 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 27 May 2016, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 107.875% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

41. Senior Notes and Bonds (continued)

Notes: (continued)

(d) 2013 – May senior notes (continued)
The senior notes contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 11.3% per annum to the liability component since the senior notes were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2014 and 2015.

(e) 2014 senior notes
On 23 January 2014, the Company issued guaranteed senior notes in an aggregate principal amount of USD300,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.625% per annum and interest is payable semi-annually on 23 January and 23 July in arrears. The senior notes will mature on 23 January 2019, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time prior to 23 January 2017, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 23 January 2014 ("Applicable Premium 5") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 5 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 23 January 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time on or after 23 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12-month period beginning on 23 January of the years indicated below.

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41. Senior Notes and Bonds (continued)

Notes: (continued)

(e) 2014 – May senior notes (continued)

At any time and from time to time prior to 23 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Period	Redemption price
23 January 2017–22 January 2018	105.31250%
23 January 2018 and thereafter	102.65625%

The senior notes contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 11.1% per annum to the liability component since the senior notes were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2014 and 2015.

(f) 2015 – May senior notes

On 27 May 2015, the Company issued guaranteed senior notes in an aggregate principal amount of USD200,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.26% of the principal amount. The senior notes are listed on the SGX and carry interest of 11.50% per annum and interest is payable semi-annually on 1 June and 1 December in arrears. The senior notes will mature on 1 June 2018, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time prior to 1 June 2018, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2015 (“Applicable Premium 6”) as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

41. Senior Notes and Bonds (continued)

Notes: (continued)

(f) 2015 – May senior notes (continued)

Applicable Premium 6 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 1 June 2018 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 1 June 2018, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 111.50% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 12.6% per annum to the liability component since the senior notes were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and 31 December 2015.

(g) 2015 Domestic Corporate Bonds

On 18 September 2015, a wholly-owned subsidiary of the Company, Fantasia Group (China) Co., Ltd. 花樣年集團(中國)有限公司 ("Fantasia Group China") issued domestic corporate bonds of RMB2,000,000,000 ("2015 Domestic Corporate Bonds"), which listed on the Shanghai Stock Exchange ("SSE"). 2015 Domestic Corporate Bonds are unsecured, carry interest at rate of 6.95% per annum and interest is payable annually, commencing on 18 September 2015. 2015 Domestic Corporate Bonds will mature on 16 September 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2015 Domestic Corporate Bonds may at their options ("put options") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

41. Senior Notes and Bonds (continued)

Notes: (continued)

(g) 2015 Domestic Corporate Bonds (continued)
The above bonds contain a liability component and the above put options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 7.3% per annum to the liability component since the domestic bond were issued.

(ii) As at initial recognition date and 31 December 2015, the fair value of put options of RMB29,590,000 and RMB22,673,000 have been recognised in the consolidated statements of financial position, of which, fair value gain of RMB6,917,000 was recognised for the year ended 31 December 2015.

The fair value of the put options at initial recognition date and 31 December 2015 has been determined by using the Binomial Option Pricing Model. The variables and assumptions used in computing the fair value of the put options are based on the best estimate by the management of the Group. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	18 September 2015	**31 December 2015**
Risk-free rate	3.1160%	2.8620%
Time to expiration	5 years	4.7 years
Yield	6.95%	6.95%

The movements of the liability component in the senior notes during the year are set out below:

	2015 RMB'000	**2014 RMB'000**
At 1 January	6,768,132	4,843,390
Net proceeds on the date of issuance of senior notes and bonds	3,211,284	1,801,274
Exchange loss	233,950	8,479
Interest expenses	887,481	768,529
Initial recognition of derivative financial instruments relating to put option of 2015 Domestic Corporate Bonds	(29,590)	–
Payment of interest and related financial costs	(762,752)	(653,540)
Repayment of 2010 senior notes	(795,926)	–
At 31 December	9,512,579	6,768,132

The carrying amounts and fair values of senior notes and bonds (based on the ask price in SGX and SSE) at the end of the reporting period are disclosed below:

	Fair value hierarchy	**2015 Carrying amount RMB'000**	**2015 Fair value RMB'000**	**2014 Carrying amount RMB'000**	**2014 Fair value RMB'000**
Senior notes	Level 1	7,523,775	7,735,192	6,768,132	6,333,896
2015 Domestic Corporate Bonds	Level 1	1,988,804	2,003,000	–	–

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42. Provision

During the year ended 31 December 2013, the Group acquired Shenzhen Tengxing Hongda Investment Development Co., Ltd 深圳騰星宏達投資發展有限公司 ("Shenzhen Tengxing") from an independent third party.

Pursuant to the sales and purchase agreement, the Group agreed with the former equity holder of Shenzhen Tengxing that after the property project construction completed by the Group, the Group is required to transfer 5% of the completed property of this property project to the former equity holder of Shenzhen Tengxing.

The potential amount of the costs (including development expenditure and other attributable expenses of the construction of properties) to be incurred to complete for this 5% completed property to be delivered to the former equity holder of Shenzhen Tengxing is accounted for as a provision of RMB33,255,000 as at 31 December 2015 (2014: RMB31,931,000).

43. Share Capital

	Number of shares	Amount HK$	Equivalent to RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2014, 31 December 2014, and 2015	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2014	4,893,733,750	489,373,375	429,575
Issue of shares as consideration for the acquisition of Huizhou TCL (note 45(a)(i))	863,600,074	86,360,007	67,900
Issue of shares upon exercise of share option	124,200	12,420	10
At 31 December 2014	5,757,458,024	575,745,802	497,485
Issue of shares upon exercise of share option	3,721,400	372,140	312
At 31 December 2015	5,761,179,424	576,117,942	497,797

None of the Company's subsidiaries sold or redeemed any of the Company's listed securities during the years ended 31 December 2015 and 2014.

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44. Perpetual Capital Instrument

In April 2014, a wholly owned subsidiary (the "Subsidiary") of the Company issued a perpetual capital instrument (the "Perpetual Capital Instrument") with the aggregate principal amount of RMB700,000,000 by entering into a Perpetual Capital Instrument Agreement (the "Agreement") with an independent third party. The Perpetual Capital Instrument was issued for development of the existing property development project in PRC.

Pursuant to the Agreement, the Perpetual Capital Instrument has no fixed maturity date and redeemable at the Subsidiary's option at its principal amount together with accrued, unpaid or deferred distribution payments. The distribution rate for the instrument is 9% per annum for the first and second year, then increase to 24% per annum for the third year and years after. If no distribution is paid in that year, the distribution rate will be adjusted by a 100% premium in the next year and so on. The distribution rate is capped at 24% per annum. The Perpetual Capital Instrument is jointly guaranteed by two subsidiaries of the Company, Pan Jun and Zeng Jie, Baby, the directors of the Company, and secured by pledges of the shares of a subsidiary of the Company and a land use right owned by a wholly owned subsidiary of the Company.

The payments of distribution can be deferred at the discretion of the Subsidiary. While any distributions are unpaid or deferred, the Company and the Subsidiary cannot declare or pay dividends to the shareholders of the Company. Therefore, the Perpetual Capital Instrument is classified as equity instrument and presented as a part of equity in the consolidated statement of financial position.

45. Acquisitions of Subsidiaries

(a) **Acquisitions of assets and liabilities through acquisitions of subsidiaries**

For the year ended December 2015

(i) On 31 March 2014, the Group disposed 51% equity interests in Huafeng, an indirectly wholly owned subsidiary of the Company, to an independent third party at a cash consideration of RMB206,410,000, which should be settled before 31 March 2015, resulting in loss of control upon completion of the transaction. Due to the financial difficulty of the buyer, the consideration cannot be settled and on 31 March 2015, the Group and the buyer entered into a cancellation agreement pursuant to which the transaction for the disposal of 51% equity interest in Huafeng was cancelled and the consideration receivable of RMB206,410,000 due from the buyer is waived. The Group obtained the control of Huafeng subsequent to the cancellation of the agreement. Huafeng is principally engaged in property development which holds properties under development in the PRC.

(ii) On 11 December 2015, the Group acquired a completed investment property situated in Shanghai, the PRC through the acquisition of 100% equity interest in Haiyat Investment Co., Ltd. 海逸投資有限公司 ("Haiyat") at a cash consideration of RMB87,500,000.

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(a) **Acquisitions of assets and liabilities through acquisitions of subsidiaries** (continued)

For the year ended 31 December 2015 (continued)

The above transactions are accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transaction are summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	1,531
Investment property	124,327
Properties for sale	1,138,188
Trade and other receivables	42,546
Amounts due from certain subsidiaries of the Company	106,191
Tax recoverable	27,354
Bank balances and cash	41,481
Trade and other payables	(13,154)
Deposits received for sale of properties	(547,390)
Deferred tax liabilities	(13,456)
Borrowings – due after one year	(421,095)
	486,523
Total consideration satisfied by:	
Cash consideration for acquisition of Haiyat	87,500
Consideration receivable related to disposal of Huafeng to be waived upon termination	206,410
49% equity interest in Hua Feng previously classified as interest in a joint venture	192,613
	486,523
Net cash outflow arising on acquisition	
Cash consideration paid during the year	87,500
Bank balances and cash acquired	(41,481)
	46,019

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(a) **Acquisitions of assets and liabilities through acquisitions of subsidiaries** (continued)

For the year ended 31 December 2014

(i) On 6 January 2014, the Group acquired several property development projects through the acquisition of the entire equity interest and indebtedness due to former shareholder in Huizhou TCL from TCL Corporation and two other independent third parties at a consideration of RMB1,905,053,000.

The consideration of RMB939,525,000 has been settled by the issuance of 863,600,074 ordinary shares of HK$0.1 each of the Company at a price of HK$1.37 (equivalent to RMB1.09) in the Company to TCL Corporation, and the remaining consideration of RMB965,528,000 will be payable within 3 years.

(ii) On 30 June 2014, the Group acquired a property development project through the acquisition of the 81% equity interest in Shenzhen Jindiying from an independent third party at a total cash consideration of RMB250,000,000 included deposit amounting to RMB100,000,000 for such acquisition has been paid in 2013.

(iii) On 31 August 2014, the Group acquired a property development project through the acquisition of the 81% equity interest in Shenzhen Yonglihongying Investment Co., Ltd. (深圳市永利鴻盈投資有限公司) from an independent third party at a cash consideration of RMB646,195,000. As at 31 December 2014, the consideration of RMB260,490,000 has been settled and the remaining consideration of RMB385,705,000 will be payable within one year.

(iv) On 30 June 2014, the Group disposed 51% equity interest in Chengdu Wangcong Property Development Co., Ltd. (成都望叢房地產開發有現公司) ("Wangcong"), an indirectly wholly owned subsidiary of the Company, to an independent third party at a cash consideration of RMB182,580,000, which will be settled before 31 December 2014, resulting in loss of control upon completion of the transaction. Due to the financial difficulty of the independent third party, the consideration receivable cannot be settled and on 31 August 2014, the Group and the independent third party entered into a termination agreement pursuant to which the transaction for the disposal of 51% equity interest in Wangcong was terminated at a consideration of RMB182,580,000 and the deposit received had been returned to the independent third party. The Group regained the control of Wangcong. Wangcong is principally engaged in property development which holds properties under development in the PRC.

(v) On 30 November 2014, the Group acquired a property development project through the acquisition of the 64% equity interest in Shenzhen Guozhengxiangqian Investment Development Co., Ltd. (深圳市國正向前投資發展有限公司)("GuoZheng") from an independent third party at a cash consideration of RMB21,120,000 which will be payable within one year.

45. Acquisitions of Subsidiaries (continued)

(a) **Acquisitions of assets and liabilities through acquisitions of subsidiaries** (continued)

For the year ended 31 December 2014 (continued)

The above transactions were accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions were summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	14,186
Investment properties	165,932
Interest in a joint venture	10,007
Prepaid lease payments	621,159
Deposits paid for acquisition of land use rights	309,718
Deferred tax assets	9,282
Properties for sale	4,324,725
Trade and other receivables	217,430
Amounts due from certain subsidiaries of the Company to Wangcong	330,687
Tax recoverables	17,355
Bank balances and cash	220,644
Trade and other payables	(689,122)
Deposits received for sale of properties	(702,998)
Amounts due to certain subsidiaries of the Company	(427,507)
Amount due to a joint venture	(10,000)
Tax payables	(88,419)
Deferred tax liabilities	(19,611)
Borrowings	(1,084,084)
	3,219,384
Identifiable net assets attributable to:	
Interest in a joint venture	(174,465)
Non-controlling interests	(39,971)
	3,004,948

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(a) **Acquisitions of assets and liabilities through acquisitions of subsidiaries** (continued)
For the year ended 31 December 2014 (continued)
The above transactions were accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions were summarised below: (continued)

	RMB'000
Total consideration satisfied by:	
Cash	410,490
Issue of shares as consideration of acquisition of subsidiaries	939,525
Deposit for acquisition of a subsidiary paid in 2013	100,000
Consideration receivables related to disposal of Wangcong to be waived upon termination (note 46(b))	182,580
Consideration payable to a non-controlling shareholder (note)	965,528
Consideration payable to independent third parties (note 46)	406,825
	3,004,948
Net cash outflow arising on acquisitions	
Cash consideration paid during the year	410,490
Bank balances and cash acquired	(220,644)
	189,846

Note: According to the sales and purchase agreements, the remaining unpaid consideration due to TCL Corporation is interest bearing at 10.58% per annum and to be settled by three instalments and the last instalment to be settled before 6 January 2017, the unpaid consideration payables are as follows:

	RMB'000
Consideration payables at date of acquisition	965,528
Interest expense for the year ended 31 December 2014	141,099
Classified as amount due to a non-controlling shareholder	1,106,627
Interest expense for the year ended 31 December 2015	48,581
Repayment	(435,288)
Classified as amount due to a non-controlling shareholder	719,920
Analysis for reporting purpose:	
Repayable within one year	390,199
Repayable after one year	329,721
	719,920

45. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses

For the year ended 31 December 2015

The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation.

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
蘇州悅華置合物業服務有限公司 Suzhou Yuihua Zhihe Property Service Co., Ltd.	30,890	January	85%	Provision of property operation services
蘇州易亞物業管理有限公司 Suzhou Yiya Property Management operation services Co., Ltd.	19,470	January	90%	Provision of property operation services
徐州市濱湖花園物業管理有限公司 Xuzhou Binhu Huayuan Property operation services Management Co., Ltd.	7,880	January	90%	Provision of property operation services
廣西南寧瀚新物業服務有限公司 Guangxi Nanning Hanxin Property Service Co., Ltd.	3,280	January	80%	Provision of property operation services
撫州鴻德物業有限公司 Fuzhou Hongde Property Co., Ltd.	2,880	January	90%	Provision of property operation services
長沙高盛物業管理有限公司 Changsha Gaosheng Property Management Co., Ltd.	2,280	January	80%	Provision of property operation services
鐵嶺世紀中天物業管理有限公司 Tieling Shiji Zhongtian Property Management Co., Ltd.	1,590	January	100%	Provision of property operation services
瀋陽天盛河畔物業管理有限公司 Shenyang Tiansheng Hepan Property Management Co., Ltd.	1,500	January	95%	Provision of property operation services
南昌名泰物業管理有限公司 Nanchang Mingtai Property Management Co., Ltd.	1,000	January	90%	Provision of property operation services

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2015 (continued)

The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation. (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
清遠市大管家物業管理有限公司 Qingyuan Daguanjia Property Management Co., Ltd.	900	January	80%	Provision of property operation services
陝西彩逸飛物業管理有限公司 Shanxi Caiyifei Property Management Co., Ltd.	500	January	100%	Provision of property operation services
陝西鑫昌物業管理有限公司 Shanxi Xinchang Property Management Co., Ltd.	– (note)	January	90%	Provision of property operation services
寧夏天雨子越物業服務有限公司 Ningxia Tianyuzi Property Service Co., Ltd.	– (note)	January	80%	Provision of property operation services
世紀物業管理有限公司 Shiji Property Management Co., Ltd.	1,187	February	85%	Provision of property operation services
鞍山市大德物業有限公司 Anshan Dade Property Management Co., Ltd.	1,580	March	80%	Provision of property operation services
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.	330,000	June	100%	Provision of property operation services
常州江南中鑫物業服務有限公司 Changzhou Jiangnan Zhongxin Property Service Co., Ltd.	57,060	June	80%	Provision of property operation services
蘇州萬寶物業管理有限公司 Suzhou Wanbao Property Management Co., Ltd.	37,330	June	70%	Provision of property operation services
揚州市恒久物業服務發展有限公司 Yangzhou Hengjiu Property Service Development Co., Ltd.	10,660	June	80%	Provision of property operation services

45. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2015 (continued)

The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation. (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
廈門市創優物業管理有限公司 Xiamen Chuangyou Property Management Co., Ltd.	10,040	June	70%	Provision of property operation services
河南瑞祥物業管理有限公司 Henan Ruixiang Property Management Co., Ltd.	6,160	June	80%	Provision of property operation services
贛州錦通物業管理有限公司 Ganzhou Jintong Property Management Co., Ltd.	6,260	June	100%	Provision of property operation services
桂林市仁和物業服務有限公司 Guilin Renhe Property Service Co., Ltd.	4,190	June	70%	Provision of property operation services
四川蜀峰物業服務有限公司 Sichuan Shufeng Property Service Co., Ltd.	– (note)	July	80%	Provision of property operation services
葫蘆島市萬廈物業管理有限公司 Huludao Wanxia Property Management Co., Ltd.	3,680	July	80%	Provision of property operation services
杭州利軒物業管理有限公司 Hangzhou Lixuan Property Management Co., Ltd.	11,325	July	80%	Provision of property operation services
揚州市興達物業服務有限公司 Yangzhou Xingda Property Service Co., Ltd.	2,450	July	90%	Provision of property operation services
長沙祥旺物業管理有限公司 Changsha Xiangwang Property Management Co., Ltd.	500	July	100%	Provision of property operation services
廣西福來物業服務有限責任公司 Guangxi Fulai Property Service Co., Ltd. ("Guangxi Fulai")	47,800	July	80%	Provision of property operation services

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2015 (continued)

The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation. (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
西安榮鑫物業管理有限公司 Xi'an Rongxin Property Management Co., Ltd.	18,889	July	60%	Provision of property operation services
襄陽江山新苑物業服務有限責任公司 Xiangyang Jiangshan Xinyuan Property Service Co., Ltd.	1,661	July	80%	Provision of property operation services
清遠金力物業管理有限公司 Qingyuan Jinli Property Management Co., Ltd.	1,000	July	80%	Provision of property operation services
榆林市榮鑫物業管理有限公司 Yulin Rongxin Property Management Co., Ltd.	1,990	July	75%	Provision of property operation services
武漢凱樂豐垠物業管理有限公司 Wuhan Kaile Fengyin Property Management Co., Ltd.	3,080	July	70%	Provision of property operation services
荊州市楚陽物業管理有限公司 Jingzhou Chuyang Property Management Co., Ltd.	3,080	September	80%	Provision of property operation services
成都合力物業服務有限公司 Chengdu Heli Property Service Co., Ltd. ("Chengdu Heli")	56,500	September	80%	Provision of property operation services
成都忠信英聯華物業管理顧問有限公司 Chengdu Zhongxin Yinglianhua Property Management Consultant Co., Ltd.	380	September	80%	Provision of property operation services
上海新貴盛物業管理有限公司 Shanghai Xinguisheng Property Management Co., Ltd.	11,880	September	90%	Provision of property operation services
河南聯盛物業服務有限公司 Henan Liansheng Property Service Co., Ltd.	9,280	December	80%	Provision of property operation services

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2015 (continued)

The Group acquired following at a total consideration of RMB910,327,000. The below subsidiaries were acquired so as to continue the expansion of the Group's property operation. (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Acquisition interest acquired	Principal activities
無錫市盛泰物業管理有限公司 Wuxi Shengtai Property Management Co., Ltd.	5,580	December	80%	Provision of property operation services
上海通翼物業有限公司 Shanghai Tongyi Property Co., Ltd.	2,880	December	51%	Provision of property operation services
南昌幸福物業管理有限公司 Nanchang Xingfu Property Management Co., Ltd.	8,180	December	70%	Provision of property operation services
江西省君安物業管理有限公司 Jiangxi Junan Property Management Co., Ltd.	1,995	November	100%	Provision of property operation services
Morning Star Group Limited ("Morning Star")	181,560	December	100%	Provision of travel agency services

Note: Consideration incurred less than RMB1,000.

Total consideration transferred

	RMB'000
Cash	703,815
Deposits paid for acquisition of subsidiaries in 2014	68,385
Consideration payables due within one year included in trade and other payables (note 36)	138,127
	910,327

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2015 (continued)

Total consideration transferred

Assets acquired and liabilities recognised at the dates of acquisitions are as follows:

	RMB'000
Property, plant and equipment	99,141
Investment properties	15,367
Intangible assets	190,628
Deferred tax assets	13,791
Trade and other receivables	170,877
Amounts due from non-controlling shareholders	66,209
Amounts due from subsidiaries of the Company	21,216
Financial assets designated as at FVTPL	54,158
Bank balances and cash	174,795
Trade and other payables	(358,592)
Amounts due to non-controlling shareholders	(465)
Amounts due to subsidiaries of the Company	(49,055)
Tax liabilities	(10,680)
Deferred tax liabilities	(60,586)
Borrowings	(299)
	326,505

The trade and other receivables acquired with a fair value of RMB170,877,000 approximate its gross contractual amount.

45. Acquisitions of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)

For the year ended 31 December 2015 (continued)

Non-controlling interests

The non-controlling interests arising from the acquisitions of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to RMB15,809,000.

Goodwill arising on acquisitions

	RMB'000
Consideration transferred	910,327
Non-controlling interests	15,809
Less: fair value of net assets acquired	(326,505)
Goodwill arising on acquisitions (note 20)	599,631

At the dates of acquisitions in 2015, goodwill of RMB599,631,000 has been determined provisionally based on the acquirees' provisional fair value of net identifiable assets acquired. Goodwill arose on the acquisition of subsidiaries because these acquisitions included the benefit of expected synergies and the future profitability as at acquisition date.

Intangible assets of RMB190,628,000 in relation to the acquisition of subsidiaries under property management and other segments have been recognised by the Group.

Net cash outflow arising on acquisitions

	RMB'000
Cash consideration paid	(703,815)
Less: bank balances and cash acquired	174,795
	(529,020)

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2014

Name of subsidiaries acquired	Consideration RMB'000	Acquisition date	Equity interest acquired	Principal activities
佛山市南海鉅隆物業管理有限公司 Foshan Nanhai Julong Property Management Co., Ltd. ("Foshan Julong")	3,800	December	100%	Provision of property operation services
上海銀順物業管理有限公司 Shanghai Yinshun Property Management Co., Ltd. ("Shanghai Yinshun")	3,480	July	80%	Provision of property operation services
江蘇城置物業服務有限公司 Jiangsu Chengzhi Property Service Co., Ltd. ("Jiangsu Chengzhi")	– (note)	July	51%	Provision of property operation services
銀川都市佳物業服務有限公司 Yinchuan Dushijia Property Services Co., Ltd. ("Yinchuan Dushijia")	400	July	68%	Provision of property operation services
湖北楓林物業服務有限公司 Hubei Fenglin Property Services Co., Ltd. ("Hubei Fenglin")	20,000	July	70%	Provision of property operation services
杭州高盛物業管理有限公司 Hangzhou Gaosheng Property Management Co., Ltd. ("Hangzhou Gaosheng")	16,880	August	70%	Provision of property operation services
河南華璟物業服務有限公司 Henan Huajing Property Services Co., Ltd. ("Henan Huajing")	1,880	July	80%	Provision of property operation services
宜昌坤達物業有限公司 Yichang Kunda Property Co., Ltd. ("Yichang Kunda")	2,000	September	70%	Provision of property operation services
江西居安物業管理有限公司 Jiangxi Juan Property Management Co., Ltd. ("Jiangxi Juan")	800	August	100%	Provision of property operation services
南京安居物業有限公司 Nanjing Anju Property Co., Ltd. ("Nanjing Anju")	15,000	August	87%	Provision of property operation services
哈爾濱盛恒基物業管理有限公司 Harbin Shenghengji Property Management Co., Ltd. ("Harbin Shenghengji")	500	June	100%	Provision of property operation services
九江天宏物業服務有限公司 Jiujiang Tianhong Property Service Co., Ltd. ("Jiujiang Tianhong")	2,000	September	70%	Provision of property operation services
Steadlink Asset Management PTE Ltd ("Steadlink")	5,865	June	68%	Provision of property operation services

Note: Consideration incurred less than RMB1,000.

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(b) **Acquisition of businesses** (continued)
For the year ended 31 December 2014 (continued)
Total consideration transferred

	RMB'000
Cash	53,133
Consideration payable due within one year included in trade and other payables (note 36)	19,472
	72,605

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	RMB'000
Intangible assets	29,448
Property, plant and equipment	866
Trade and other receivables	26,104
Bank balances and cash	13,345
Trade and other payables	(37,213)
Amounts due to certain subsidiaries of the Company	(1,069)
Tax payables	(153)
Deferred tax liabilities	(7,362)
	23,966

The trade and other receivables acquired with a fair value of approximately RMB26,104,000 approximate its gross contractual amount.

For the year ended 31 December 2015

45. Acquisitions of Subsidiaries (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2014 (continued)

Non-controlling interests

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to RMB6,012,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	72,605
Non-controlling interests	6,012
Less: fair value of net assets acquired	(23,966)
Goodwill arising on acquisition (note 20)	54,651

At the dates of acquisitions in 2014, goodwill of RMB54,651,000 had been determined provisionally based on the acquirees' provisional fair value of net identifiable assets acquired. Goodwill arose on the acquisition of subsidiaries because these acquisitions included the benefit of expected synergies and the future profitability as at acquisition date.

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Intangible assets of RMB214,438,000 in relation to the acquisition of subsidiaries under property management segment have been recognised by the Group.

Net cash outflow arising on acquisitions

	RMB'000
Cash consideration paid	53,133
Less: bank balances and cash acquired	(13,345)
	39,788

45. Acquisitions of Subsidiaries (continued)

(c) Acquisitions of additional interests in subsidiaries

For the year ended 31 December 2015

(i) During the year ended 31 December 2015, the Group further acquired additional 36% equity interest in Guozheng from a non-controlling shareholder, and the Group's shareholding of Guozheng increased from 64% to 100%. The difference between the consideration of RMB11,880,000 and proportionate share of the Guozheng's net assets of RMB9,831,000 attributable to the Group was charged to the special reserve of RMB2,049,000.

(ii) During the year ended 31 December 2014, the Group disposed of its 49% and 40% equity interests in Guilin Wanhao Property Development Co., Ltd. 桂林萬豪房地產開發有限公司 ("Wanhao") and Chengdu Zhifu Property Development Co., Ltd. 成都置富房地產開發有限公司 ("Zhifu") respectively, indirectly wholly owned subsidiaries of the Company, to an independent third party at a total cash consideration of RMB399,240,000, which should be settled before 31 March 2015. Due to the financial difficulty of the buyer, the consideration cannot be settled on 31 March 2015, the Group and the buyer entered into termination agreements pursuant to which the transaction for the disposal of 49% and 40% equity interest in Wanhao and Zhifu was terminated and the consideration receivable of RMB399,240,000 due from the buyer was waived.

Accordingly, the Group acquired back 49% and 40% equity interests of Wanhao and Zhifu respectively from non-controlling shareholders. The difference between the consideration of RMB399,240,000 and proportionate share of the subsidiaries' net assets of RMB359,580,000 attributable to the Group was charged to the special reserve of RMB39,660,000. Wanhao and Zhifu were engaged in property development which holds properties under development in the PRC. Upon termination of the aforesaid transactions, the cash consideration of RMB36,990,000 received in 2014 was refunded to the buyer, the partial consideration of RMB200,000,000 to be settled in exchange for construction work was cancelled and was recognised in trade payable and the consideration receivable of RMB162,250,000 was waived.

For the year ended 31 December 2015

46. Disposal of Subsidiaries

(a) **Disposal of subsidiaries**

For the year ended 31 December 2015

(i) On 8 January 2015, the Group disposed of its AFS investment through the disposal of the entire equity interests of its holding company, Charmfull Limited, to an independent third party for a consideration of RMB40,382,000.

(ii) Subsequent to the disposed of 45% equity interest in TCL King electronics (Shenzhen) Co., Ltd. TCL 王牌電子(深圳)有限公司 ("TCL King"), as mentioned in note 46(b), on 24 September 2015, the group further disposed the remaining 55% equity interest in TCL King through disposal of entire equity interest in Talent Bright International Limited, its holding company to the same independent third party, for cash considerations of RMB429,000,000. TCL King was engaged in property development.

(iii) On 30 September 2015, the Group disposed of its entire equity interest in Chengdu Kaizhen Co., Ltd. 成都凱鎮有限公司 ("Chengdu Kaizhen") to an independent third party for a consideration of RMB355,000,000. Chengdu Kaizhen was engaged in provision of hotel services.

(iv) On 15 December 2015, the Group disposed of its entire equity interest in Shenzhen Fantasia Hotel Management Co., Ltd. 深圳花樣年酒店管理有限公司 ("Shenzhen Fantasia hotel management") to an independent third party for a consideration of RMB290,000,000. Shenzhen Fantasia was engaged in hotel management.

(v) On 27 December 2015, the Group disposed of its entire equity interest in Fantasia Commercial Management (HK) Co.,Ltd ("Fantasia Commercial") to an independent third party for a consideration of RMB1,100,000,000. Fantasia Commercial was engaged in hotel management. As at 31 December 2015, RMB500,000,000 has been received and the remaining consideration of RMB600,000,000 will be settled within 30 days from the date of the agreement entered by the Group and the independent third party.

For the year ended 31 December 2015

46. Disposal of Subsidiaries (continued)

(a) **Disposal of subsidiaries** (continued)
For the year ended 31 December 2015 (continued)
The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

	RMB'000
Consideration satisfied by:	
Cash	1,433,920
Consideration receivable due within one year (note 30)	761,000
Consideration payable related to acquisition of the holding company of AFS investment to be offset upon the disposal	19,462
	2,214,382
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	83,871
Investment properties	1,789,474
AFS investment	38,910
Trade and other receivables	32,987
Bank balances and cash	1,441
Amounts due from subsidiaries of the Company	53,145
Trade and other payables	(320)
Deferred tax liabilities	(295,220)
Net assets disposed of	1,704,288
Gain on disposal of subsidiaries:	
Cash consideration	1,433,920
Consideration receivable	761,000
Consideration payable related to acquisition of the holding company of AFS investment to be offset upon the disposal	19,462
Net assets disposed of	(1,704,288)
Non-controlling interest	279,945
Gain on disposal	790,039
Net cash inflow arising on disposal:	
Cash consideration	1,433,920
Bank balances and cash disposed of	(1,441)
	1,432,479

For the year ended 31 December 2015

46. Disposal of Subsidiaries (continued)

(a) **Disposal of subsidiaries** (continued)

For the year ended 31 December 2014

(i) On 29 December 2014, the Group disposed of its 61% equity interest in Topsearch Printed Circuits (Shenzhen) Ltd 至卓飛高線路板(深圳)有限公司 ("Topsearch Printed Circuits") to an independent third party for a cash consideration of approximately RMB347,670,000. Topsearch Printed Circuits was engaged in property development which holds properties for sale in the PRC.

(ii) On 8 December 2014, the Group disposed of its 54% equity interest in Shenzhen Tongzhinian Equity Investment Fund Co., Ltd. 深圳市同之年股權投資基金有限公司 ("Tongzhinian Fund") to an independent third party for a cash consideration of approximately RMB7,775,000. Tongzhinian Fund was engaged in equity investment in the PRC.

The above transactions were accounted for as disposal of subsidiaries. Details of the net assets disposed in respect of the above transactions were summarised below:

	RMB'000
Consideration satisfied by:	
Cash	68,999
Consideration receivable due within one year (note 30)	286,446
	355,445
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	6
Deferred tax assets	512
Properties for sale	341,047
Trade and other receivables	21,791
Bank balances and cash	14,546
Trade and other payables	(31,380)
Borrowings	(156,880)
Net assets disposed of	189,642
Gain on disposal of subsidiaries:	
Cash consideration	68,999
Consideration receivable (note 30)	286,446
Net assets disposed of	(189,642)
Non-controlling interests	57,904
Gain on disposal	223,707
Net cash inflow arising on disposal:	
Cash consideration	68,999
Bank balances and cash disposed of	(14,546)
	54,453

46. Disposal of Subsidiaries (continued)

(b) Disposal of partial interests in subsidiaries without loss of control

For the year ended 31 December 2015

(i) During the year ended 31 December 2015, the Group disposed of its 30% equity interest in Shenzhen Home E&E Commercial Services Group Co., Ltd 深圳市美易家商務服務集團有限公司 ("Home E&E"), which was held by the Group through a wholly owned subsidiary of the Company, to an independent third party, for a cash consideration of RMB1,500,000. Home E&E was engaged in provision of property management service.

The difference of RMB8,670,000 between the consideration received of RMB1,500,000 and the proportionate share of the subsidiary's net assets by the non-controlling shareholder amounting to RMB10,170,000 is credited to the special reserve of the Group.

(ii) On 30 June 2015, the Group disposed of its 45% equity interest in TCL King which was held by the Company, to an independent third party, for a cash consideration of RMB300,000,000.

The difference of RMB29,811,000 between the consideration of RMB300,000,000 and the proportionate share of TCL King's net assets held by the non-controlling shareholder amounting to RMB270,189,000 was credited to the special reserve of the Group.

For the year ended 31 December 2014

(i) During the year ended 31 December 2014, the Group disposed of its 49% equity interest in Wanhao, which was held by the Group through a wholly owned subsidiary of the Company, to an independent third party, for a cash consideration of RMB198,900,000. Wanhao was engaged in provision of property development.

The difference of RMB28,623,000 between the consideration received of RMB198,900,000 and the proportionate share of the subsidiary's net assets by the non-controlling shareholder amounting to RMB170,277,000 is credited to the special reserve of the Group.

(ii) During the year ended 31 December 2014, the Group disposed of its 40% equity interest in Zhifu, which was held by the Group through a wholly owned subsidiary of the Company, to an independent third party, for a cash consideration of RMB200,340,000. Zhifu was engaged in provision of property development.

The difference of RMB8,256,000 between the consideration received of RMB200,340,000 and the proportionate share of the subsidiary's net assets by the non-controlling shareholder amounting to RMB192,084,000 was credited to the special reserve of the Group.

For the year ended 31 December 2015

46. Disposal of Subsidiaries (continued)

(b) Disposal of partial interests in subsidiaries without loss of control (continued)
For the year ended 31 December 2014

	RMB'000
Satisfied by:	
Cash consideration received	36,990
Settlement in exchange for construction work (note 53(iv))	200,000
Consideration receivables (note 30)	162,250
	399,240
Net cash inflow arising on deemed disposal:	
Cash consideration	36,990

(c) Disposal of partial interests in subsidiaries resulting in loss of control
For the year ended 31 December 2014

On 30 June 2014, the Group disposed of 51% equity interests in both Wangcong (as detailed in note 45(a)(iv)) and Huafeng, previous indirect wholly owned subsidiaries of the Company, to an independent third party resulting in lost control upon completion of the transactions. The remaining equity interests in Wangcong and Yinzhuang are classified as interests in joint ventures. The joint ventures are principally engaged in property development which hold properties under development in the PRC.

These transactions were accounted for as disposal of partial interests in subsidiaries resulting in loss of control. Details are summarised below:

For the year ended 31 December 2015

46. Disposal of Subsidiaries (continued)

(c) **Disposal of partial interests in subsidiaries resulting in loss of control** (continued)
For the year ended 31 December 2014 (continued)
Assets and liabilities derecognised at dates of loss of control of the disposed subsidiaries are as follows:

	RMB'000
Property, plant and equipment	1,247
Deferred tax assets	14,035
Properties under development for sale	2,270,964
Trade and other receivables	43,013
Amounts due from certain subsidiaries of the Company to Wangcong (note)	419,945
Tax recoverable	17,633
Restricted bank deposits	22,707
Bank balances and cash	28,128
Trade and other payables	(98,906)
Amounts due to certain subsidiaries of the Company	(10,020)
Deposits received for sale of properties	(796,020)
Borrowings	(1,150,000)
	762,726

	RMB'000
Less: retained equity interest held by the Group – classified as interests in joint ventures	(373,736)
	388,990
Satisfied by:	
Consideration receivables due within one year (note 30)	206,410
Consideration receivables upon termination of disposal transaction (note 46(a)(iv))	182,580
	388,990
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(28,128)

Note: Amount due from certain subsidiaries of the Company, which is shown as amounts due to joint ventures on the consolidated statement of financial position of the Group, is unsecured, interest-free and repayable on demand.

For the year ended 31 December 2015

47. Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	12,684	7,997
In the second to the fifth year inclusive	–	6,280
	12,684	14,277

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for an average term of 1 to 5 years with fixed rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015 RMB'000	2014 RMB'000
Within one year	145,236	123,237
In the second to the fifth year inclusive	347,825	328,331
After the fifth year	86,184	77,661
	579,245	529,229

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 18 years with fixed rentals.

48. Capital and Other Commitments

	2015 RMB'000	2014 RMB'000
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	3,736,077	4,307,410
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	130,719	138,089
Consideration committed in respect of capital expenditure in respect of the acquisition of property, plant and equipment authorised but not yet contracted	39,575	134,532
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	84,556	21,335
Consideration committed in respect of acquisition of subsidiaries authorised but not yet contracted	–	241,936

49. Share Option Schemes

(a) The Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"). Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK$1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

During the year ended 31 December 2015, 19,325,000 share options were lapsed.

As at 31 December 2015, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 85,944,000 (2014: 108,990,000) of HK$0.1 each, representing approximately 1.5% (2014: 1.9%) of the issued share capital of the Company.

For the year ended 31 December 2015

49. Share Option Schemes (continued)

(a) The Company (continued)

Details of the share options granted under the Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share HK$	Vesting period	Exercisable period
Directors	29 August 2011	0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022
Employees	29 August 2011	0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2015 and 2014:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2014	Granted during the year	Transfer during the year (note)	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2014	Granted during the year	Transfer during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2015
Directors	29 August 2011	29.8.2011–28.8.2012	1,318,000	–	381,000	(80,000)	–	1,619,000	–	–	(264,000)	(197,000)	1,158,000
		29.8.2011–28.8.2014	2,636,000	–	1,143,000	(240,000)	–	3,539,000	–	–	(528,000)	(394,000)	2,617,000
		29.8.2011–28.8.2015	9,226,000	–	2,286,000	(480,000)	–	11,032,000	–	–	(1,847,000)	(1,380,000)	7,805,000
	16 October 2012	16.10.2014–15.10.2014	1,595,000	–	277,000	(80,000)	–	1,792,000	–	–	(340,000)	(17,000)	1,435,000
		16.10.2014–15.10.2015	3,190,000	–	831,000	(240,000)	–	3,781,000	–	–	(681,000)	(33,000)	3,067,000
		16.10.2014–15.10.2015	11,165,000	–	1,662,000	(480,000)	–	12,347,000	–	–	(2,383,000)	(116,000)	9,848,000
			29,130,000	–	6,580,000	(1,600,000)	–	34,110,000	–	–	(6,043,000)	(2,137,000)	25,930,000
Employees	29 August 2011	29.8.2011–28.8.2012	4,093,000	–	(381,000)	(267,000)	(9,000)	3,436,000	–	–	(398,000)	(130,000)	2,908,000
		29.8.2011–28.8.2014	8,186,000	–	(1,143,000)	(454,000)	(18,000)	6,571,000	–	–	(796,000)	(260,000)	5,515,000
		29.8.2011–28.8.2015	28,651,000	–	(2,286,000)	(1,949,000)	(63,000)	24,353,000	–	–	(2,786,000)	(909,000)	20,658,000
	16 October 2012	16.10.2014–15.10.2014	4,617,000	–	(277,000)	(285,000)	(3,000)	4,052,000	–	–	(931,000)	(28,000)	3,093,000
		16.10.2014–15.10.2015	9,234,000	–	(831,000)	(489,000)	(7,000)	7,907,000	–	–	(1,860,000)	(57,000)	5,990,000
		16.10.2014–15.10.2015	32,319,000	–	(1,662,000)	(2,072,000)	(24,000)	28,561,000	–	–	(6,511,000)	(200,000)	21,850,000
			87,100,000	–	(6,580,000)	(5,516,000)	(124,000)	74,880,000	–	–	(13,282,000)	(1,584,000)	60,014,000
Total			116,230,000	–	–	(7,116,000)	(124,000)	108,990,000	–	–	(19,325,000)	(3,721,000)	85,944,000
Exercisable at the end of the year								68,082,000					85,944,000

Note: Wang Liang (王亮) was appointed as an executive director of the Company on 6 January 2014 (disclosed in note 12) so that the share options granted to Wang Liang in prior years are classified into category of directors in 2014.

49. Share Option Schemes (continued)

(a) **The Company** (continued)

The closing of the shares on the date of grant was HK$0.77 at 16 October 2012. Binomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	16 October 2012
Market price	HK$0.77
Exercise price	HK$0.80
Expected volatility	44.87%
Risk-free rate	0.66%
Expected dividend yield	5.12%

The Group recognised the total expense of RMB2,464,000 for the year ended 31 December 2015 (2014: RMB3,353,000) in relation to share options granted by the Company.

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49. Share Option Schemes (continued)

(b) Colour Life

A subsidiary of the Company, Colour Life, operates a share option scheme (the "Colour Life's Scheme"). The Colour Life's Scheme was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to certain directors and employees of the Colour Life and its subsidiaries ("Eligible Employees"). Under the Colour Life's Scheme, the Board of Directors of Colour Life is authorised to grant options at a consideration of HK$1 per option respectively to the Eligible Employees to subscribe for shares of Colour Life ("Colour Life's Shares").

The maximum number of Colour Life's Shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of Colour Life shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Colour Life in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Colour Life's share capital or with a value in excess of HK$5 million must be approved in advance by Colour Life's shareholders.

The exercisable period of an option is determined by the directors of Colour Life at their discretion. The expiry date of Colour Life's Options may be determined by the Board of Directors of the Colour Life which shall not be later than the expiry day of Colour Life's Scheme.

The exercise price is determined by the directors of Colour Life, and will not be less than the greater of: (i) the closing price of Colour Life on the offer date; (ii) the average of the closing price of Colour Life's shares for the five trading days immediately preceding the offer of Colour Life's options and (iii) the nominal value per share of Colour Life.

As at 31 December 2015, the total number of Colour Life's shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 66,427,000 (2014: 45,000,000) of HK$0.1 each, representing approximately 6.6% (2014: 4.5%) of the issued share capital of Colour Life.

For the year ended 31 December 2015

49. Share Option Schemes (continued)

(b) Colour Life (continued)

Details of the share options granted under Colour Life's Scheme is as follows:

Category of Grantees	**Date of grant**	**Exercise price per share HK$**	**Vesting period**	**Exercisable period**
Directors	29 September 2014	6.66	N/A	29/9/2014–28/9/2024
			29/9/2014–28/9/2015	29/9/2015–28/9/2024
			29/9/2014–28/9/2016	29/9/2016–28/9/2024
			29/9/2014–28/9/2017	29/9/2017–28/9/2024
	30 April 2015	11.00	30/4/2015–29/4/2016	30/4/2016–29/4/2025
			30/4/2015–29/4/2017	30/4/2017–29/4/2025
			30/4/2015–29/4/2018	30/4/2018–29/4/2025
Employees and non-controlling shareholders of certain subsidiaries	29 September 2015	6.66	N/A	29/9/2014–28/9/2024
			29/9/2014–28/9/2015	29/9/2015–28/9/2024
			29/9/2014–28/9/2016	29/9/2016–28/9/2024
			29/9/2014–28/9/2017	29/9/2017–28/9/2024
	30 April 2015	11.00	30/4/2015–29/4/2016	30/4/2016–29/4/2025
			30/4/2015–29/4/2017	30/4/2017–29/4/2025
			30/4/2015–29/4/2018	30/4/2018–29/4/2025

The following table of the company discloses movements of Colour Life's share options held by employees and directors during the year ended 31 December 2015 and 2014:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2014	Granted during the year	Transfer during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2014	Granted during the year	Transfer during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2015
Directors	29 September 2014	N/A	–	560,000	–	–	–	560,000	–	–	–	–	560,000
		29/9/2014–28/9/2015	–	1,270,000	–	–	–	1,270,000	–	–	–	–	1,270,000
		29/9/2014–28/9/2016	–	1,270,000	–	–	–	1,270,000	–	–	–	–	1,270,000
		29/9/2014–28/9/2017	–	711,000	–	–	–	711,000	–	–	–	–	711,000
	30 April 2015	30/4/2015–29/4/2016	–	–	–	–	–	–	477,000	–	–	–	477,000
		30/4/2015–29/4/2017	–	–	–	–	–	–	477,000	–	–	–	477,000
		30/4/2015–29/4/2018	–	–	–	–	–	–	476,000	–	–	–	476,000
			–	3,811,000	–	–	–	3,811,000	1,430,000	–	–	–	5,241,000
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	–	6,107,000	–	–	–	6,107,000	–	–	(308,000)	(119,000)	5,680,000
		29/9/2014–28/9/2015	–	13,730,000	–	–	–	13,730,000	–	–	(1,070,000)	–	12,660,000
		29/9/2014–28/9/2016	–	13,730,000	–	–	–	13,730,000	–	–	(1,070,000)	–	12,660,000
		29/9/2014–28/9/2017	–	7,622,000	–	–	–	7,622,000	–	–	(763,000)	–	6,859,000
	30 April 2015	30/4/2015–29/4/2016	–	–	–	–	–	–	7,857,000	–	(81,000)	–	7,776,000
		30/4/2015–29/4/2017	–	–	–	–	–	–	7,857,000	–	(81,000)	–	7,776,000
		30/4/2015–29/4/2018	–	–	–	–	–	–	7,856,000	–	(81,000)	–	7,775,000
			–	41,189,000	–	–	–	41,189,000	23,570,000	–	(3,454,000)	(119,000)	61,186,000
Total			–	45,000,000	–	–	–	45,000,000	25,000,000	–	(3,454,000)	(119,000)	66,427,000
Exercisable at the end of the year								6,667,000					20,170,000

49. Share Option Schemes (continued)

(b) Colour Life (continued)

The closing price of Colour Life's shares on the date of grant was HK$6.66 at 29 September 2014 and HK$10.88 on 30 April 2015, respectively. Binomial Option Pricing Model had been used to estimate the fair value of Colour Life's options. The variables and assumptions used in computing the fair value of the share options are based on Colour Life's best estimate. The value of Colour Life's option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	30 April 2015	**29 September 2014**
Market price	HK$10.88	HK$6.66
Exercise price	HK$11.00	HK$6.66
Expected volatility	46.26%	48.82%
Risk-free rate	1.63%	2.01%
Expected dividend yield	0.83%	0.0%

During the year ended 31 December 2015, the estimated fair value of Colour Life's options at the date of grant was RMB104,714,000 (2014: RMB114,802,000). Colour Life recognised the total expense of RMB88,431,000 (2014: RMB29,780,000) as share option reserve included in other non-controlling interests for the year ended 31 December 2015 in relation to share options granted by Colour Life.

(c) Morning Star

A wholly owned subsidiary of the Company acquired during the year, Morning Star, operates a share option scheme (the "Morning Star's Scheme"). The Morning Star's Scheme was adopted pursuant to a resolution passed on 24 December 2015 for the primary purposes of providing incentives to certain directors and employees of the Morning Star and its subsidiaries ("Eligible Employees"), and will expire on 30 April 2019. According to the Morning Star's Scheme, the Board of Directors of Morning Star is authorised to grant options at a consideration of HK$1 per option respectively to the Eligible Employees to subscribe for shares of Morning Star ("Morning Star's Shares").

The exercisable period of an option is determined by the directors of Morning Star at their discretion. The expiry date of Morning Star's Options may be determined by the Board of Directors of the Morning Star which shall not be later than the expiry day of Morning Star's Scheme.

As at 31 December 2015, the total number of Morning Star's shares to be issued upon the exercise of all options granted under the Morning Star's Scheme is 7,000,000 of HK$1 each, representing approximately 7% of the issued share capital of Morning Star.

49. Share Option Schemes (continued)

(c) Morning Star (continued)

Details of the share options granted under Morning Star's Scheme is as follows:

Category of Grantees	Date of grant	Granted during the year	Vesting period	Exercisable period	Vesting condition
Eligible Employees	24 December 2015	2,000,000	25/12/2015–30/3/2017	1/4/2017–30/4/2017	the net profit of Morning Star for year ending 31 December 2016 meets RMB10,000,000
		3,000,000	25/12/2015–30/3/2018	1/4/2018–30/4/2018	the net profit of Morning Star for year ending 31 December 2017 meets RMB20,000,000
		2,000,000	25/12/2015–30/3/2019	1/4/2019–30/4/2019	the net profit of Morning Star for year ending 31 December 2018 meets RMB40,000,000

Binomial Option Pricing Model had been used to estimate the fair value of these share – based payment transactions with cash alternative arrangements. The estimated fair value of the share options of Morning Star is RMB5,743,000 which represented the goods or services received from the Employees. The variables and assumptions used in computing the fair value of the share options are based on the management of the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	24 December 2015
Share price	HK$1.85
Exercise price	HK$1.00
Expected volatility	45.5%-54.6%
Risk-free rate	0.25%-0.84%
Expected dividend yield	0.0%

Morning Star recognised the total expense of RMB28,000 as share option reserve included in other non-controlling interests for the year ended 31 December 2015 in relation to share options granted by Morning Star.

For the year ended 31 December 2015

50. Retirement Benefits Plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of RMB77,208,000 (2014: RMB62,218,000).

51. Contingent Liabilities

	2015 RMB'000	2014 RMB'000
(a) Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	6,441,957	4,778,135

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

	2015 RMB'000	2014 RMB'000
(b) Financial guarantees given to a bank for the banking facilities granted to a joint venture, Novena	513,098	518,925

The Group had provided guarantees in respect of banking facilities granted by a bank to Novena. In the opinion of the directors, the fair value of guarantee contract is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

52. Related Party Disclosures

During the year, in addition to those disclosed in elsewhere at the consolidated financial statements, the Group had following significant transactions with related parties:

(a) Related party transactions

Related parties	Relationship	Transactions	2015 RMB'000	2014 RMB'000
Cube Architecture	An associate of Shenzhen Tiankuo Investment Development Co., Ltd. (深圳市天闊投資發展有限公司), a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Design service fee incurred	1,044	1,740

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2015 RMB'000	2014 RMB'000
Short-term benefits	89,449	67,875
Post-employment benefits	13,998	9,214
Share-based payments	2,575	2,536
	106,022	79,625

(c) Others

(i) As at 31 December 2015, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB275,320,000 (2014: RMB59,640,000) in aggregate.

(ii) During the year ended 31 December 2015, the Group had sold certain properties to its key management personnel (not including the directors of the Company) of the Group, at a cash consideration of RMB16,840,000 (2014: RMB3,005,000).

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53. Major Non-Cash Transactions

For the year ended 31 December 2015

(a) During the year ended 31 December 2015, the Group entered into sale and purchase agreements with several contractors for the sale of properties amounting to RMB116,516,000 in exchange for the construction work provided by the contractor equivalent to RMB116,516,000.

(b) During the year ended 31 December 2015, the group entered into termination agreements with acquirer of equity interests in Wanhao and Zhifu. Corresponding settlement agreement regarding to consideration to consideration receivables of RMB200,000,000 in exchange for the construction work provided by the contractor equivalent to RMB200,000,000 was cancelled.

For the year ended 31 December 2014

(c) During the year ended 31 December 2014, the Group entered into a sale and purchase agreement with a contractor for the sale of properties amounting to RMB282,949,000 in exchange for the construction work provided by the contractor equivalent to RMB282,949,000.

(d) During the year ended 31 December 2014, the Group acquired Huizhou TCL from TCL Corporation (as detailed in note 45(a)). The consideration of RMB939,525,000 has been settled by the issuance of 863,600,074 ordinary shares in the Company to TCL Corporation.

(e) During the year ended 31 December 2014, the Group entered into a settlement agreement with acquirer of equity interests in Wanhao and Zhifu and a contractor for the settlement of consideration receivables of RMB200,000,000 in exchange for the construction work provided by the contractor equivalent to RMB200,000,000.

54. Particulars of Principal Subsidiaries of the Company

(a) Material subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2015	2014	Principal activities	Legal form
Colour Life Services Group Co., Ltd ("Colour Life")^Δ	The Cayman Islands 16 March 2011	HK$100,000,000	50%	50%	Investment holding	Limited liability company
花樣年集團(中國)有限公司 Fantasia Group (China) Company Limited*	The PRC 20 January 2006	RMB1,624,843,500	100%	100%	Investment holding and property development	Limited liability company
深圳市花樣年地產集團有限公司 Shenzhen Fantasia Real Estate Group Limited* ("Shenzhen Fantasia")	The PRC 28 September 1996	RMB150,000,000	100%	100%	Investment holding, property development and investment	Limited liability company

54. Particulars of Principal Subsidiaries of the Company (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2015	2014	Principal activities	Legal form
成都市花樣年房地產開發有限公司 Chengdu Fantasia Real Estate Company Limited*	The PRC 18 October 2001	RMB75,610,000	100%	100%	Property development	Limited liability company and investment
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Company Limited*	The PRC 28 August 2006	RMB660,339,487	100%	100%	Investment holding	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Company Limited ("Shenzhen Colour Life")	The PRC 11 December 2000	RMB35,000,000	49.61%	49.61%	Provision of property operation services	Limited liability company
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Company Limited*	The PRC 1 July 1994	RMB946,843,500	100%	100%	Property development and investment	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Company Limited*#	The PRC 12 June 2007	RMB10,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited*#	The PRC 15 November 2001	RMB5,000,000	100%	100%	Provision of security system design, installation and maintenance services	Limited liability company
花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Development Company Limited*	The PRC 7 September 2006	RMB1,344,970,000	100%	100%	Property development	Limited liability company

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54. Particulars of Principal Subsidiaries of the Company (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2015	2014	Principal activities	Legal form
成都花萬里置業有限公司 Chengdu Huawanli Real Estate Company Limited*	The PRC 25 October 2005	RMB100,000,000	100%	100%	Property development and investment	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Company Limited*	The PRC 6 November 2006	RMB704,680,000	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Company Limited*	The PRC 22 May 2003	RMB270,000,000	100%	100%	Property development	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited*	The PRC 9 February 2007	RMB100,000,000	100%	100%	Property development and investment	Limited liability company
四川西美投資有限公司 Sichuan Ximei Investment Company Limited*	The PRC 7 June 2004	RMB670,000,000	100%	100%	Property development	Limited liability company
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Company Limited*	The PRC 6 August 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Development Limited*	The PRC 22 August 2007	RMB320,000,000	100%	100%	Property development	Limited liability company
深圳市花樣年房地產開發有限公司 Shenzhen Fantasia Real Estate Company Limited*	The PRC 20 April 2006	RMB150,000,000	100%	100%	Property development	Limited liability company

54. Particulars of Principal Subsidiaries of the Company (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2015	2014	Principal activities	Legal form
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Company Limited.*	The PRC 14 August 2012	RMB100,000,000	100%	100%	Property development	Limited liability company
蘇州花萬裡房地產開發有限公司 Suzhou Huawanli Real Estate Company Limited*	The PRC 9 September 2009	RMB180,000,000	100%	100%	Property development	Limited liability company
東莞花千里房地產開發有限公司 Dongguan Huaqianli Property Development Company Limited*	The PRC 30 April 2012	RMB30,000,000	100%	100%	Property development	Limited liability company
成都市諾亞舟實業有限公司 Chengdu Nuoyazhou Development Company Limited*	The PRC 17 June 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
桂林萬豪房地產開發有限公司 Guilin Wanhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	51%	Property development	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	100%	Property development	Limited liability company
花萬裡投資(北京)有限公司 Huawanli Investment (Beijing) Company Limited*	The PRC 13 September 2012	RMB779,150,000	100%	100%	Property development	Limited liability company
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Company Limited*	The PRC 28 June 2014	RMB394,400,000	60%	60%	Property development	Limited liability company

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54. Particulars of Principal Subsidiaries of the Company (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2015	2014	Principal activities	Legal form
蘇州銀莊置地有限公司 Suzhou Yinzhuang Real Estate Company Limited*	The PRC 25 January 2006	RMB500,000,000	100%	100%	Property development	Limited liability company
惠州TCL房地產開發有限公司 Huizhou TCL Property Development Company Limited*	The PRC 29 December 2004	RMB100,000,000	100%	100%	Property development	Limited liability company
成都花樣年置富房地產開發有限公司 Chengdu Fantasia Zhifu Property Development Company Limited*	The PRC 13 March 2014	RMB500,000,000	100%	60%	Property development	Limited liability company
寧波世紀華豐房產有限公司 Ningbo Century Huafeng Property Company Limited*	The PRC 25 March 2010	RMB427,500,000	100%	49%	Property development	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Company Limited*#^	The PRC	RMB330,000,000	100%	–	Provision of property operation services	Limited liability company
Morning Star Group Limited ("Morning Star")^	Hong Kong	RMB181,560,000	100%	–	Provision of travel agency service	Limited liability company

* The English name is for identification purpose only.

\# These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life as at 31 December 2015 and 2014.

^ These subsidiaries were acquired during the year ended 31 December 2015. Details are set out in note 45.

Δ Except for these subsidiaries were directly held by the Company, all other subsidiaries are indirectly owned by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

54. Particulars of Principal Subsidiaries of the Company (continued)

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follow:

Principal activities	Principal place of business	Number of subsidiaries 2015	2014
Investment holding	BVI	20	20
	Hong Kong	20	14
	PRC	18	18
	USA	1	1
	Singapore	1	1
Property development	PRC	65	48
Property investment	PRC	1	1
	Japan	1	1
Property agency services	PRC	1	1
Property operation services	PRC	89	59
Hotel operations	PRC	5	5
	USA	1	1
Other	Hong Kong	4	–
		227	170

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54. Particulars of Principal Subsidiaries of the Company (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2015 and 2014 that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		Profit (loss) attributable to non-controlling interest		Accumulated non-controlling interests	
		2015	2014	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Company Limited ("Shenzhen Colour Life")	The PRC	49.61%	49.61%	31,983	54,788	147,227	115,244
天津松江花樣年置業有限公司 Tianjin Songjiang Fantasia Real Estate Company Limited ("Tianjin Songjiang")	The PRC	40%	40%	(7,115)	(10,498)	69,020	72,572
深圳安博電子有限公司 Shenzhen Anbo Electronic Company Limited	The PRC	39%	39%	(43)	(56)	32,755	33,187
深圳市飛高至卓實業有限公司 Shenzhen Feigao Zhizhuo Company Limited	The PRC	39%	39%	(80)	–	81,820	40,897
				24,745	44,234	330,822	261,900
Individually immaterial subsidiaries with non-controlling interests				103,586	30,211	672,082	957,135
				128,331	74,445	1,002,904	1,219,035

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intra group eliminations.

54. Particulars of Principal Subsidiaries of the Company (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Tianjin Songjiang		Shenzhen Colour Life	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	118,545	102,918	806,648	178,342
Non-current assets	225,278	227,506	29,830	156,611
Current liabilities	171,273	146,508	429,708	102,653
Non-current liabilities	–	2,485	110,000	–
Equity attributable to owners of the Company	103,530	108,859	149,543	117,056
Non-controlling interests	69,020	72,572	147,227	115,244
Revenue	10,847	2,210	158,888	179,634
Cost of sales	(11,724)	(26,917)	(55,068)	(23,516)
Expenses	(16,912)	(1,538)	(39,351)	(39,324)
(Loss)/profit for the year	(17,789)	(26,245)	64,469	116,794
(Loss)/profit attributable to the owners of the Group	(10,674)	(15,747)	32,486	62,006
(Loss)/profit attributable to the non-controlling interests	(7,115)	(10,498)	31,983	54,788
Surplus on Revaluation for the year	–		–	
Surplus on Revaluation attributable to the owners of the Group	5,344	–	–	–
Surplus on Revaluation attributable to the non-controlling interests	3,563	–	–	–
Net cash (outflow) inflow from operating activities	(22,432)	(15,727)	61,871	131,066
Net cash (outflow) inflow from investing activities	(41)	26,088	(3,265)	(5,961)
Net cash inflow (outflow) from financing activities	20,873	(12,092)	(79,470)	(110,495)
Net cash (outflow) inflow	(1,600)	(1,731)	(20,864)	14,610

	Feigao Zhizhuo		Shenzhen Anbo	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	223,153	104,782	464,920	33
Non-current assets	18	172	35	185,562
Current liabilities	13,375	90	380,969	101,214
Equity attributable to owners of the Company	127,976	63,967	51,231	51,194
Non-controlling interests	81,820	40,897	32,755	33,187
Expenses and loss for the year	(204)	–	(111)	(143)
Loss attributable to the owners of the Group	(124)	–	(68)	(87)
Loss attributable to the non-controlling interests	(80)	–	(43)	(56)
Net cash (outflow) inflow from operating activities	(3,217)	–	(20,982)	(15,862)
Net cash (outflow) inflow from investing activities	(19)	–	(16)	–
Net cash inflow from financing activities	6,691	–	20,767	15,953
Net cash inflow (outflow)	3,455	–	(231)	91

For the year ended 31 December 2015

55. Information About the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	2,536,908	2,021,256
Amounts due from subsidiaries	7,066,355	7,403,832
	9,603,263	9,425,088
CURRENT ASSETS		
Other receivables	451	6
Banks balances and cash	1,543	2,757
	1,994	2,763
CURRENT LIABILITIES		
Other payables	15,537	5,787
Amounts due to subsidiaries	4,400	84,204
Bank borrowing	201,495	–
Senior notes	1,004,105	746,051
	1,225,537	836,042
NET CURRENT LIABILITIES	(1,223,543)	(833,279)
TOTAL ASSETS LESS CURRENT LIABILITIES	8,379,720	8,591,809
NON-CURRENT LIABILITIES		
Senior notes	6,636,915	6,022,081
TOTAL ASSETS LESS TOTAL LIABILITIES	1,742,805	2,569,728
CAPITAL AND RESERVES		
Share capital	497,797	497,485
Reserves	1,245,008	2,072,243
	1,742,805	2,569,728

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55. Information About the Statement of Financial Position of the Company (continued)

	Share capital RMB'000	Share premium RMB'000	Retained profits (accumulated losses) RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2014	429,575	1,876,311	51,974	16,176	2,374,036
Loss and total comprehensive expense for the year	–	–	(441,213)	–	(441,213)
Recognition of equity-settled share-based payments (note 49)	–	–	–	3,353	3,353
Issue of share as consideration of subsidiaries	67,900	871,625	–	–	939,525
Issue of share upon exercise of share option	10	101	–	(30)	81
Dividend distributed to shareholders of the Company (note 14)	–	(306,054)	–	–	(306,054)
At 31 December 2014	497,485	2,441,983	(389,239)	19,499	2,569,728
Loss and total comprehensive expense for the year	–	–	(586,968)	–	(586,968)
Recognition of equity-settled share-based payments (note 49)	–	–	–	2,464	2,464
Issue of share upon exercise of share Option	312	3,219	–	(938)	2,593
Share option lapsed	–	–	3,092	(3,092)	–
Dividend distributed to shareholders of the Company (note 13)	–	(245,012)	–	–	(245,012)
At 31 December 2015	497,797	2,200,190	(973,115)	17,933	1,742,805

56. Event After the Reporting Period

On 4 January 2016, Fantasia Group China further issued domestic corporate bonds of RMB1,100,000,000 with a term of five years ("2016 Domestic Corporate Bonds"), carrying interest at rate of 7.29% per annum. At the end of the third year, Fantasia Group China shall be entitled to increase the interest rate and the holders of 2016 Domestic Corporate Bonds may at their options to sell back to Fantasia Group China. The proceeds are to be used for refinancing certain of the Group's existing indebtedness and for the general working capital purposes.

Questions about the terms of the Exchange Offer should be directed to the Dealer Manager or the Information and Exchange Agent at their respective addresses and telephone numbers set forth below.

If you have questions regarding tender or exchange procedures, please contact the Information and Exchange Agent at the address and telephone number set forth below.

For additional copies of this exchange offer memorandum, please contact the Information and Exchange Agent at the address and telephone number set forth below.

Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer.

The Information and Exchange Agent for the Exchange Offer is:

D.F. King

In London:	**In London:**
125 Wood Street	125 Wood Street
London EC2V 7AN	London EC2V 7AN
United Kingdom	United Kingdom
Telephone: +44 20 7920 9700	Telephone: +44 20 7920 9700

Email: fantasia@dfkingltd.com
Exchange Website: https://sites.dfkingltd.com/fantasia

The Dealer Manager for the Exchange Offer is:

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10 Collyer Quay
#19-01- #19-05 Ocean Financial Centre
Singapore 049315